

**THE CORPORATION OF THE TOWN
OF KAPUSKASING**

**INDEPENDENT AUDITOR'S REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018

THE CORPORATION OF THE TOWN OF KAPUSKASING

MANAGEMENT'S REPORT

DECEMBER 31, 2018

The accompanying consolidated financial statements of the Corporation of the Town of Kapuskasing are the responsibility of the management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in the notes to the consolidated financial statements. The preparation of the consolidated financial statements necessarily involves the use of estimates based on management's judgments, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

Council meets with management to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval.

The consolidated financial statements have been audited by Baker Tilly HKC, independent external auditors appointed by Council. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.



Kapuskasing, Ontario
October 7, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of
the Corporation of the Town of Kapuskasing

Opinion

We have audited the accompanying consolidated financial statements of the Corporation of the Town of Kapuskasing, which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations and accumulated surplus, changes in net debt 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 financial position of the organization as at December 31, 2018, and the results of its operations and accumulated surplus, its changes in net debt and its 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 Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other 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.

Other Information

The consolidated financial statements for the year ended December 31, 2017 were audited by Collins Barrow Gagné Gagnon Bisson Hébert, which became Baker Tilly HKC effective January 7, 2019.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organization'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 organization or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT, (CONT'D)*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the 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 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 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 organization'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 organization'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 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 organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Baker Tilly HKC

Chartered Professional Accountants
Licenced Public Accountants
October 7, 2019

THE CORPORATION OF THE TOWN OF KAPUSKASING

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

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THE CORPORATION OF THE TOWN OF KAPUSKASING

CONSOLIDATED STATEMENT OF FINANCIAL POSITION


DECEMBER 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and equivalents	\$ 5,179,534	\$ 2,665,379
Taxes receivable (note 5)	445,835	557,019
Trade and other receivables (note 6)	4,920,696	5,526,771
Inventories for resale	61,080	22,670
Due from related parties (note 7)	12,634,053	12,018,698
Long-term receivables (note 8)	2,450,000	2,477,358
Investments (note 9)	325,000	-
	<u>26,016,198</u>	<u>23,267,895</u>
LIABILITIES		
Accounts payable and accrued liabilities	3,407,501	3,476,393
Landfill closure and post closure liabilities (note 17)	2,417,487	2,311,882
Liability for losses in government business enterprises (note 11)	3,601,064	2,617,466
Deferred revenues - obligatory reserve funds (note 12)	2,939,404	1,904,442
Long-term debt (note 13)	30,054,118	31,903,334
	<u>42,419,574</u>	<u>42,213,517</u>
NET DEBT	<u>(16,403,376)</u>	<u>(18,945,622)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets - net book value (note 14)	93,848,836	93,718,939
Inventories held for consumption or use	105,748	91,750
Prepaid expenses	11,085	37,578
	<u>93,965,669</u>	<u>93,848,267</u>
ACCUMULATED SURPLUS (note 15)	<u>\$ 77,562,293</u>	<u>\$ 74,902,645</u>

CONTINGENCIES - notes 18 and 19

CONTRACTUAL OBLIGATIONS - note 21

On behalf of Council:



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

THE CORPORATION OF THE TOWN OF KAPUSKASING
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
YEAR ENDED DECEMBER 31, 2018

	Budget (note 23)	2018 Actual	2017 Actual
REVENUES			
Residential taxation	\$ 7,172,542	\$ 7,200,958	\$ 7,212,223
Commercial and business taxation	3,708,057	3,850,048	3,732,731
Payments in lieu of taxation	214,255	215,721	208,426
Ontario Municipal Partnership Fund	4,666,200	4,666,200	4,355,900
Provincial offences	132,268	133,777	175,687
User fees and service charges	6,077,128	7,011,342	7,760,224
Interest and penalties	460,265	680,998	647,168
Government transfers for operating - Provincial	315,797	309,203	435,366
Government transfers for operating - Federal	2,000	3,360	15,155
Other revenues	422,682	968,922	906,672
Gain on disposition of tangible capital assets	-	325,000	-
Solar energy revenues	345,480	318,569	321,826
	<u>23,516,674</u>	<u>25,684,098</u>	<u>25,771,378</u>
EXPENSES			
General government	2,087,524	2,171,017	2,835,238
Protection to persons and property	4,088,265	4,289,036	4,015,082
Transportation services	4,094,598	5,143,451	4,973,110
Environmental services	5,008,728	7,070,333	6,632,522
Health services	606,690	588,427	585,612
Social and family services	1,603,169	1,586,691	1,397,054
Recreation and cultural services	2,747,633	3,063,571	2,923,075
Planning and development	453,270	823,948	884,668
Solar energy expenses	100,074	237,029	244,892
Government business enterprises - net loss (note 11)	-	983,598	712,944
	<u>20,789,951</u>	<u>25,957,101</u>	<u>25,204,197</u>
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	<u>2,726,723</u>	<u>(273,003)</u>	<u>567,181</u>
OTHER REVENUES			
Government transfers for capital - Provincial	1,285,370	867,998	1,744,696
Government transfers for capital - Federal	4,501,819	2,064,653	25,000
	<u>5,787,189</u>	<u>2,932,651</u>	<u>1,769,696</u>
ANNUAL SURPLUS	8,513,912	2,659,648	2,336,877
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>74,902,645</u>	<u>74,902,645</u>	<u>72,565,768</u>
ACCUMULATED SURPLUS, END OF YEAR (note 15)	<u>\$ 83,416,557</u>	<u>\$ 77,562,293</u>	<u>\$ 74,902,645</u>

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

THE CORPORATION OF THE TOWN OF KAPUSKASING
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED DECEMBER 31, 2018

	2018	2017
ANNUAL SURPLUS	\$ 2,659,648	\$ 2,336,877
NON-FINANCIAL ASSET ACTIVITIES		
Acquisition of tangible capital assets	(4,199,745)	(3,477,783)
Amortization of tangible capital assets	4,069,848	3,664,793
Change in inventories held for consumption or use	(13,998)	(1,949)
Change in prepaid expenses	26,493	50,049
DECREASE IN NET DEBT	2,542,246	2,571,987
NET DEBT, BEGINNING OF YEAR	(18,945,622)	(21,517,609)
NET DEBT, END OF YEAR	\$ (16,403,376)	\$ (18,945,622)

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

THE CORPORATION OF THE TOWN OF KAPUSKASING

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Annual surplus	\$ 2,659,648	\$ 2,336,877
Items not involving cash:		
Amortization of tangible capital assets	4,069,848	3,664,793
Government business enterprises - net loss	983,598	712,944
Provision for landfill closure and post-closure cost	105,605	105,605
Gain on disposition of tangible capital assets	(325,000)	-
	7,493,699	6,820,219
Changes in:		
Taxes receivable	111,184	(83,901)
Trade and other receivables	606,075	926,615
Inventories for resale	(38,410)	19,934
Account payable and accrued liabilities	(68,892)	(387,350)
Deferred revenues - obligatory reserve funds	1,034,962	295,571
Inventories held for consumption or use	(13,998)	(1,949)
Prepaid expenses	26,493	50,049
	9,151,113	7,639,188
FINANCING ACTIVITIES		
Principal payments on long-term debt	(1,849,216)	(1,595,556)
Proceeds from long-term debt	-	10,999,964
Repayment of temporary loan	-	(4,200,000)
	(1,849,216)	5,204,408
CAPITAL ACTIVITY		
Acquisition of tangible capital assets	(4,199,745)	(3,477,783)
INVESTING ACTIVITIES		
Net advances to related parties	(615,355)	(601,378)
Net advances from long-term receivables	27,358	37,001
	(587,997)	(564,377)
CHANGE IN CASH POSITION	2,514,155	8,801,436
CASH POSITION (BANK INDEBTEDNESS), BEGINNING OF YEAR	2,665,379	(6,136,057)
CASH POSITION, END OF YEAR	\$ 5,179,534	\$ 2,665,379

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

THE CORPORATION OF THE TOWN OF KAPUSKASING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

The Corporation of the Town of Kapuskasing (the municipality) is a single-tier municipal corporation located in Northern Ontario.

1. SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF CONSOLIDATION

These consolidated financial statements reflect the assets, liabilities, revenues, expenses, reserve funds and reserves of the municipality and include the activities of all committees of Council and the following boards, municipal business enterprises and utilities which are under the control of Council:

Museum Board
 Planning Board
 Kapuskasing Public Library Board
 Downtown Business Improvement Area Board
 Kapuskasing Economic Development Corporation
 Kapuskasing-Moonbeam Landfill Site Management Board

All interfund assets and liabilities and sources of financing and expenses have been eliminated.

NON-CONSOLIDATED ENTITIES

The following local boards, joint local boards and municipal business enterprises are not consolidated.

Non-consolidated entities:

Kapuskasing Golden Age Club
 Kapuskasing Municipal Non-Profit Housing Corporation
 North Centennial Manor Inc.
 Cochrane-Temiskaming Waste Management Board
 North East Recycling Association
 Kapuskasing Volunteer Firefighters

Non-consolidated joint local boards:

Porcupine Health Unit
 Cochrane District Social Services Administration Board (CDSSAB)

THE CORPORATION OF THE TOWN OF KAPUSKASING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

NON-CONSOLIDATED ENTITIES (CONT'D)

Government Business Enterprises

Government business enterprises are not consolidated, but are accounted for using the modified equity method in these consolidated financial statements. These government business enterprises are Énergie Kapuskasing Energy Inc. (EKE), which is 100% owned and controlled by the municipality and Solaire Kapuskasing Solar Inc. (SKS) and Hydro Kapuskasing Hydro Inc. (HKH), which are 100% owned by Énergie Kapuskasing Energy Inc. Under the modified equity method of accounting, only the municipality's investment in the government business enterprise and the enterprises' net income or loss and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of the municipality, except that any other comprehensive income of the business enterprise is accounted for as an adjustment to the accumulated surplus or deficit. Inter-organizational transactions and balances are not eliminated, except for any profit or loss on the sale between entities of assets that remain within the reporting entity.

ACCOUNTING FOR SCHOOL BOARD TRANSACTIONS

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these consolidated financial statements. Note 2 provides details of amounts raised and transferred to the school boards.

TRUST FUNDS

The Cemetery Care and Maintenance Fund trust funds administered by the municipality are not consolidated but are outlined in note 4 to the financial statements.

ACCRUAL ACCOUNTING

Revenues and expenses are reported on the accrual basis of accounting which recognizes revenues as they become earned and measurable. Revenues from taxation, grants and all other sources are recognized when the amount is fixed or reasonably determinable and collectability is reasonably assured. 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.

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 financial statements in the period in which events giving rise to transfer occur, providing the transfers are authorized, eligibility criteria are met, and reasonable estimates of the amounts can be made. Government grants are recognized when approved to the extent the related expenses have been incurred and collection is reasonably assured.

The municipality also transfers assets to other level of Government and/or other organizations. These transfers are recorded as an expense when they are authorized and eligibility criteria is met, if any.

THE CORPORATION OF THE TOWN OF KAPUSKASING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

TAXATION

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. The Municipal Council establishes the tax rates annually, incorporating amounts to be raised for local services and on behalf of the School Boards in respect of education taxes. From time to time property assessments are adjusted by MPAC through the reconsideration process or by the Assessment Review Board through the appeal process. Additional assessments, referred to as supplementary and omitted assessments can also be issued by MPAC in accordance with the Assessment Act. These adjustments and additional assessments are processed by the Municipality upon receipt and recognized in the fiscal year they are determined. All property taxes are secured by the land and pose minimal collection risk.

USER FEES AND SERVICE CHARGES

User fees and services charges are recognized when the activity is performed or when the services are rendered.

CASH AND CASH EQUIVALENTS

Cash consists of balances held at financial institutions and all cash equivalents consist of highly liquid financial instruments with maturity of three months or less at acquisition.

INVENTORIES

Inventories for resale are recorded at the lower of cost and net realizable value. Inventories held for consumption or use are recorded at the lower of cost and replacement cost.

LONG-TERM RECEIVABLES

Long-term receivable are recorded at cost. Valuation of the receivable is assessed annually by management. Any write-downs are recorded in the period in which the change in value occurred. The interest is recorded when earned.

MULTI-EMPLOYER DEFINED BENEFIT PENSION

Substantially all of the employees of the municipality are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit, final average earnings, contributory pension plan. Defined contribution plan accounting is applied to OMERS, whereby contributions are expensed when due, as the municipality has insufficient information to apply defined benefit accounting.

DEFERRED REVENUES - OBLIGATORY RESERVE FUNDS

Grants, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain projects or the completion of specific work. In addition certain 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 or the services are performed.

THE CORPORATION OF THE TOWN OF KAPUSKASING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

DEFERRED REVENUES - OBLIGATORY RESERVE FUNDS (cont'd)

A requirement of the Canadian Public Sector Accounting Standards is that the obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation and other agreements restrict how these funds may be used and under certain circumstances these funds may possibly be refunded.

Funds from external sources and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue - obligatory reserve funds until used for the purpose specified.

NON-FINANCIAL ASSETS

Non-financial assets are not available to discharge existing liabilities and are held for 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 combined with the annual surplus provides the change in net financial assets (net debt) for the year.

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, if any, of the tangible capital assets are amortized on a straight-line basis, over the expected useful life of the assets, as follows:

Buildings	15 to 40 years
Vehicles, machinery and equipment	5 to 25 years
Street lights and hydrants	50 years
Roads	5 to 70 years
Water and sewer systems	50 years
Solar panels	20 years

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 market value at the date of receipt.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying tangible capital asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use. All other borrowing costs are expensed in the period they occur. Borrowing costs consists of interest and other costs that the municipality incurs in connection with the borrowing of funds.

RESERVES AND RESERVE FUNDS

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and from reserves and reserve funds are recorded as an adjustment to the respective fund when approved.

THE CORPORATION OF THE TOWN OF KAPUSKASING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

MEASUREMENT UNCERTAINTY

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 disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in operations in the period in which they become known. Significant estimates are used when accounting for the allowance for uncollectible taxes and other receivables, determining the useful lives of tangible capital assets, accrued liabilities and contingencies. Actual results could differ from those estimates.

2. OPERATIONS OF SCHOOL BOARDS

Tax collected and transferred to school boards are comprised of the following:

	Public	Separate	Total 2018	Total 2017
Regular tax levy	\$ 827,476	\$ 869,385	\$ 1,696,861	\$ 1,714,219
Supplementary tax levy	17,323	17,009	34,332	42,874
Write-offs and adjustments	(18,947)	(19,029)	(37,976)	(94,047)
	\$ 825,852	\$ 867,365	\$ 1,693,217	\$ 1,663,046

3. CONTRIBUTIONS TO NON-CONSOLIDATED ENTITIES

The following contributions were made by the municipality to these local boards and joint boards and are included in expenses on the consolidated statement of operations.

	Budget (note 23)	2018 Actual	2017 Actual
Kapuskasing Golden Age Club	\$ 54,400	\$ 38,036	\$ 41,749
Cochrane District Social Services Administration Board	1,231,689	1,231,689	998,930
Porcupine Health Unit	269,960	269,960	264,694
North Centennial Manor Inc.	314,080	314,080	353,806
North East Recycling Association	-	-	140,808
Kapuskasing Volunteer Firefighters	113,135	109,541	140,889
	\$ 1,983,264	\$ 1,963,306	\$ 1,940,876

THE CORPORATION OF THE TOWN OF KAPUSKASING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

4. TRUST FUNDS

Trust funds administered by the municipality have not been included in these consolidated financial statements. Details of these funds are presented on page 29. The year-end balances of these trust funds are as follows:

	2018	2017
Cemetery Care and Maintenance Fund	\$ 467,749	\$ 453,966

5. TAXES RECEIVABLE

	2018	2017
Current year	\$ 296,184	\$ 401,462
Prior years	51,242	63,446
Penalties and interest	13,534	21,374
Due on property under registration	160,875	146,737
Allowance for doubtful taxes receivable	(76,000)	(76,000)
	\$ 445,835	\$ 557,019

6. TRADE AND OTHER RECEIVABLES

	2018	2017
Government of Canada	\$ 1,865,319	\$ 3,251,940
Province of Ontario	1,872,127	973,860
Other	1,183,250	1,300,971
	\$ 4,920,696	\$ 5,526,771

7. DUE FROM RELATED PARTIES

Notes receivable with no set terms of repayment, unsecured and bearing interest at 4%.

	2018	2017
Énergie Kapuskasing Energy Inc.	\$ 5,629,866	\$ 5,456,252
Solaire Kapuskasing Solar Inc.	7,004,187	6,562,446
	\$ 12,634,053	\$ 12,018,698

During the year, a total of \$ 440,052 (2016 - \$ 440,052) of interest was charged to these government business enterprises.

THE CORPORATION OF THE TOWN OF KAPUSKASING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

8. LONG-TERM RECEIVABLES

	2018	2017
Physician recruitment incentives, interest free, unsecured, due between 2018 and 2024	\$ 350,000	\$ 375,000
Drury Place Non Profit Housing, repaid during the year	-	2,358
Advance to Énergie Kapuskasing Energy Inc. from the Kapuskasing Economic Development Corporation (a consolidated entity) earning interest at 4% per annum, unsecured, due on demand	600,000	600,000
Advance to Énergie Kapuskasing Energy Inc. from the Kapuskasing-Moonbeam Landfill Site Management Board (a consolidated entity) earning interest at 4% per annum, unsecured, due on demand	1,500,000	1,500,000
	<u>\$ 2,450,000</u>	<u>\$ 2,477,358</u>

9. INVESTMENTS

The municipality sold land in exchange for 526,318 common shares of CannAssist Canada Inc. The estimated value of the land was \$ 325,000. The fair market value of the common shares is currently not determinable.

The municipality is also a majority shareholder in 7 corporations and owns a limited partnership interest in 2 partnerships that are all operating solar generation projects. The municipality is expected to generate investment income such as dividends and partnership allocations from these investments. Nonetheless, the municipality has agreements in place that indemnifies them for all costs, losses and liabilities related to these investments and projects. The fair market value of these investments are currently not determinable.

10. BANK INDEBTEDNESS

The municipality has an authorized line of credit of \$ 16,000,000 from January 1st to September 30th and reducing to \$ 8,000,000 from October 1st to December 31st, bearing interest at prime, secured by a Borrowing By-Law approved by Council. The line of credit as at December 31, 2018 is not utilized.

THE CORPORATION OF THE TOWN OF KAPUSKASING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

11. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES

Capital deficiency in government business enterprises is as follows:

	Énergie Kapuskasing Energy Inc.	Solaire Kapuskasing Solar Inc.	Hydro Kapuskasing Hydro Inc.	2018 Total	2017 Total
Capital deficiency, beginning of year	\$ (279,763)	\$ (2,166,322)	\$ (171,381)	\$ (2,617,466)	\$ (1,904,522)
Net income (loss)	(381,571)	(601,567)	(460)	(983,598)	(712,944)
Capital deficiency, end of year	<u>\$ (661,334)</u>	<u>\$ (2,767,889)</u>	<u>\$ (171,841)</u>	<u>\$ (3,601,064)</u>	<u>\$ (2,617,466)</u>

The corporations are in a deficit position as of December 31, 2018. The municipality, as the sole owner of the corporations, is responsible for this excess of liabilities over assets (capital deficiency).

Additional information is available in note 22 and on the Schedule of Government Business Enterprises Consolidated Statement of Financial Position (page 25).

12. DEFERRED REVENUES - OBLIGATORY RESERVE FUNDS

	2018	2017
DEFERRED REVENUE		
Ministry of Health and Long Term Care	\$ -	\$ 13,759
Tenant deposits	707,985	-
Other	128,160	87,590
	<u>836,145</u>	<u>101,349</u>
OBLIGATORY RESERVE FUNDS		
Federal Gas Tax	2,093,456	1,778,250
Other	9,803	24,843
	<u>2,103,259</u>	<u>1,803,093</u>
	<u>\$ 2,939,404</u>	<u>\$ 1,904,442</u>

THE CORPORATION OF THE TOWN OF KAPUSKASING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

12. DEFERRED REVENUES - OBLIGATORY RESERVE FUNDS (CONT'D)

The continuity of deferred revenues and obligatory reserve funds is as follows:

	2018	2017
BALANCE, BEGINNING OF YEAR	\$ 1,904,442	\$ 1,608,871
FUNDS RECEIVED DURING THE YEAR		
Federal Gas Tax	522,101	498,369
Interest earned on Federal Gas Tax funds	29,614	20,730
Tenant deposits	707,985	-
Ministry of Health and Long Term Care	-	125,000
Other	64,897	82,316
	<u>3,229,039</u>	<u>2,335,286</u>
FUNDS SPENT DURING THE YEAR		
Federal Gas Tax	(236,508)	-
Ontario Community Infrastructure Fund (OCIF)	-	(248,544)
Ministry of Health and Long-Term Care	(13,759)	(142,311)
Other	(39,368)	(39,989)
	<u>(289,635)</u>	<u>(430,844)</u>
BALANCE, END OF YEAR	\$ 2,939,404	\$ 1,904,442

13. LONG-TERM DEBT

	2018	2017
2.64% debenture payable in blended semi-annual instalments of \$ 20,559, due in 2046, secured by a Capital Expenditure Borrowing By-Law, recoverable from local improvement levies	\$ 800,349	\$ 819,950
5.24% loan payable in blended monthly instalments of \$ 7,413, due in 2029, secured by a Capital Expenditure Borrowing By-Law	704,295	754,897
4.80% loan payable in blended monthly instalments of \$ 5,769, due in 2029, secured by a Capital Expenditure Borrowing By-Law	587,356	627,346
3.59% debenture payable in blended annual instalments of \$ 174,618, due in 2025, secured by a Capital Expenditure Borrowing By-Law	1,064,132	1,195,820
3.79% debenture payable in blended semi-annual instalments of \$ 131,504, due in 2021, secured by a Capital Expenditure Borrowing By-Law	621,734	854,541

THE CORPORATION OF THE TOWN OF KAPUSKASING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

13. LONG-TERM DEBT (CONT'D)

	2018	2017
4.28% debenture payable in blended semi-annual instalments of \$ 6,895, due in 2026, secured by a Capital Expenditure Borrowing By-Law	87,679	97,404
2.00% debenture payable in blended semi-annual instalments of \$ 70,585, due in 2031, secured by a Capital Expenditure Borrowing By-Law	1,609,017	1,716,395
4.00% loan payable in blended monthly instalments of \$ 15,755, due in 2032, secured by a Capital Expenditure Borrowing By-Law	1,960,491	2,068,783
2.69% debenture payable in blended monthly instalments of \$ 6,989, due in 2022, secured by a Capital Expenditure Borrowing By-Law	274,486	338,620
3.41% debenture payable in blended monthly instalments of \$ 5,733, due in 2032, secured by a Capital Expenditure Borrowing By-Law	764,987	806,916
2.92% debenture payable in blended semi-annual instalments of \$ 46,993, due in 2024, secured by a Capital Expenditure Borrowing By-Law	474,367	552,781
2.06% debenture payable in blended semi-annual instalments of \$ 27,707, due in 2019, secured by a Capital Expenditure Borrowing By-Law	27,385	81,398
3.71% debenture payable in blended semi-annual instalments of \$ 22,092, due in 2034, secured by a Capital Expenditure Borrowing By-Law	517,292	541,606
2.77% debenture payable in blended monthly instalments of \$ 21,267, due in 2040, secured by a Capital Expenditure Borrowing By-Law	4,083,816	4,223,794
2.59% debenture payable in blended monthly instalments of \$ 1,099, due in 2031, secured by a Capital Expenditure Borrowing By-Law	141,467	150,857
2.91% debenture payable in blended monthly instalments of \$ 28,515, due in 2036, secured by a Capital Expenditure Borrowing By-Law	4,704,960	4,907,015

THE CORPORATION OF THE TOWN OF KAPUSKASING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

13. LONG-TERM DEBT (CONT'D)

	2018	2017
1.58% debenture payable in blended monthly instalments of \$ 1,873, due in 2021, secured by a Capital Expenditure Borrowing By-Law	56,864	78,260
2.13% debenture payable in blended monthly instalments of \$ 6,991, due in 2026, secured by a Capital Expenditure Borrowing By-Law	586,984	657,558
4.26% debenture payable in blended monthly instalments of \$ 23,693, due in 2022, secured by a Capital Expenditure Borrowing By-Law	3,339,550	3,478,372
3.35% loan payable in blended monthly instalments of \$ 42,670, due in 2022, secured by a Capital Expenditure Borrowing By-Law	7,059,039	7,329,659
2.69% debenture payable in blended monthly instalments of \$ 951, due in 2022, secured by a Borrowing By-Law	43,248	53,354
2.69% debenture payable in blended monthly instalments of \$ 3,300, due in 2036, secured by a Capital Expenditure Borrowing By-Law	544,620	568,008
	<u>\$ 30,054,118</u>	<u>\$ 31,903,334</u>

Principal payments and interest required on this debt during the next 5 fiscal years are as follows:

	Principal	Interest	Total
2019	\$ 1,883,021	\$ 969,054	\$ 2,852,075
2020	1,918,211	906,480	2,824,691
2021	1,842,110	841,710	2,683,820
2022	10,359,361	636,965	10,996,326
2023	1,239,033	419,952	1,658,985
2024 and subsequent years	12,812,382	2,469,275	15,281,657
	<u>\$ 30,054,118</u>	<u>\$ 6,243,436</u>	<u>\$ 36,297,554</u>

Interest paid during they year on long-term debt amounted to \$ 1,030,888 (2017 - \$ 919,631).

The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

THE CORPORATION OF THE TOWN OF KAPUSKASING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

14. TANGIBLE CAPITAL ASSETS

	2018	2017
Land	\$ 639,873	\$ 639,873
Buildings	22,072,908	22,936,973
Vehicles, machinery and equipment	16,932,046	18,376,106
Street lights and hydrants	845,135	894,038
Roads	26,288,146	26,961,290
Water system	8,931,871	9,179,613
Sewer system	13,133,690	11,945,718
Solar panels	1,716,413	1,841,926
	<u>90,560,082</u>	<u>92,775,537</u>
Assets under construction	3,288,754	943,402
	<u>\$ 93,848,836</u>	<u>\$ 93,718,939</u>

For additional information, see the Schedule of Tangible Capital Assets (page 24).

The distribution by segment is as follows:

	2018	2017
General government	\$ 1,481,844	\$ 1,520,046
Protection to persons and property	2,521,201	2,660,231
Transportation services	32,139,902	31,856,449
Environmental services	43,547,192	43,639,219
Health services	158,646	89,738
Recreation and cultural services	6,910,869	7,306,698
Planning and development	5,372,769	4,804,632
Solar panels	1,716,413	1,841,926
	<u>\$ 93,848,836</u>	<u>\$ 93,718,939</u>

THE CORPORATION OF THE TOWN OF KAPUSKASING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

15. ACCUMULATED SURPLUS

The accumulated surplus consists of the following:

	2018	2017
RESERVES SET ASIDE BY COUNCIL		
Capital projects	\$ 2,646,779	\$ 2,609,917
Other	868,881	362,776
PUC reserve	3,004,653	3,004,653
Sewage system	1,062,575	1,558,424
Water system	2,523,089	2,547,448
Working capital	4,368,431	2,796,351
	<u>14,474,408</u>	<u>12,879,569</u>
INVESTED IN CAPITAL ASSETS		
Tangible capital assets - net book value	93,848,836	93,718,939
Long-term debt related to tangible capital assets	(30,054,118)	(31,903,334)
Unfinanced capital expenditures	-	(13,127)
	<u>63,794,718</u>	<u>61,802,478</u>
GENERAL OPERATING SURPLUS (DEFICIT)		
Corporation of the Town of Kapuskasing	2,776,279	2,491,659
Kapuskasing Public Library Board	73,205	102,861
Downtown Business Improvement Area Board	56,701	34,410
Kapuskasing Economic Development Corporation	315,428	555,006
Kapuskasing-Moonbeam Landfill Site Management Board	(327,382)	(345,872)
Government Business Enterprises	(3,601,064)	(2,617,466)
	<u>(706,833)</u>	<u>220,598</u>
ACCUMULATED SURPLUS	<u>\$ 77,562,293</u>	<u>\$ 74,902,645</u>

THE CORPORATION OF THE TOWN OF KAPUSKASING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

16. EXPENSES BY OBJECT

	Budget (note 23)	2018 Actual	2017 Actual
Salary, wages and employee benefits	\$ 8,517,117	\$ 8,584,797	\$ 8,665,689
Debt interest charges	1,019,659	1,030,888	919,631
Materials and supplies	2,399,498	2,460,304	2,121,951
Contracted services	6,350,893	6,137,349	6,213,430
Rents and financial expenses	519,520	727,011	964,883
External transfers (note 3)	1,983,264	1,963,306	1,940,876
Amortization of tangible capital assets	-	4,069,848	3,664,793
Government business enterprises - net loss	-	983,598	712,944
	\$ 20,789,951	\$ 25,957,101	\$ 25,204,197

17. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

The municipality along with the Township of Moonbeam manages and operates the Kapuskasing-Moonbeam Landfill Site Management Board (the Board). For the fiscal year 2018, the net cost of the site was shared on a usage basis at the following rates:

	2018	2017
Town of Kapuskasing	42%	41%
Township of Moonbeam	5%	6%
Rayonier Advanced Materials	53%	53%

Canadian Public Sector accounting Standards and guidelines provided by the Ministry of Municipal Affairs requires that landfill operators accrue for the future costs of landfill closure and post-closure on an annual basis. The municipality is liable for the closing of this landfill site and post-closure costs for monitoring, reporting and maintenance on an annual basis for an estimated period of 25 years following the closure of the site. Closure and post-closure costs include final covering and landscaping, testing of ground water, environmental monitoring, site inspections and site maintenance. The annual charge should be calculated by dividing the estimated closure costs by the estimated life of the landfill (volumetric capacity or years of service remaining) and charging that amount to operations.

The expected remaining life of the landfill is 10 years and the total estimated capacity of the landfill site is approximately 960,000 metric tons. Cumulative, metric tons to date amount to 535,000.

The latest estimate provides for a liability of \$ 2,417,487 (2017 - \$ 2,311,882) and a current charge of \$ 105,605 (2017 - \$ 105,605). The estimated total liability is based on the sum of discounted cash flows for closure and post-closure activities for 25 years after closure using a discount rate of 3%.

THE CORPORATION OF THE TOWN OF KAPUSKASING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

18. OTHER CONTINGENCIES

The municipality is involved in a number of claims and possible claims which are the result of normal on-going operations. Management feels that these claims are either without merit or will be covered by insurance. No provision has been made in these financial statements to reflect any of these claims. Any settlements which may arise will be reflected in the financial statements in the year the amount is determined.

19. LOAN GUARANTEES

The Kapuskasing-Moonbeam Landfill Site Management Board and the Kapuskasing Economic Development Corporation (consolidate entities) both advanced funds to Énergie Kapuskasing Energy Inc. (EKE), in the amounts \$ 1,500,000 and \$ 600,000 respectively. Both advances have no set terms of reimbursement and bear interest of 4%, payable annually on December 31. EKE has also been authorized to borrow \$ 1,600,000 from La Caisse Populaire de Kapuskasing Ltée. The balance due on this loan as at December 31, 2018 is \$1,312,678 (2017 - \$ 1,373,354). EKE has also refinanced a line of credit with a loan of \$8,000,000 from Concentra Bank and a loan of \$ 8,500,000 with TD Equipment Finance Canada. The balances due on these loans as at December 31, 2018 are \$ 7,795,307 and \$ 8,262,909 respectively. Both of these loans are held by Solaire Kapuskasing Solar Inc. (SKS), a subsidiary of EKE. The municipality has guaranteed all of these loans and advances and is contingently liable to repay the principal and any outstanding interest if EKE or SKS fail to make payments.

20. RETIREMENT BENEFITS

Substantially all of the Town of Kapuskasing employees are members of the Ontario Municipal Employee's Retirement System Plan ("OMERS"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Municipalities and their employees. Contributions to the plan made during the year by the municipality on behalf of its employees amounted to \$ 578,151 (2017 - \$ 585,494) and are included in the statement of operations. As this is a multi-employer pension plan, these contributions are the municipality's pension benefit expenses. Any pension plan surpluses or deficits are a joint responsibility of member organizations and their employees. As a result, the organization does not recognize any share of the Plan's surplus or deficit. No contributing employer or employee has any liability, directly or indirectly, to provide the benefits established by this plan beyond the obligation to make contributions pursuant to the Plan policies.

THE CORPORATION OF THE TOWN OF KAPUSKASING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

21. CONTRACTUAL OBLIGATIONS

- i) During the year, the municipality awarded a construction contract for a total cost of \$ 4,726,018. Total cost incurred at December 31, 2018 was \$ 2,316,749 leaving a total remaining obligation of \$ 2,406,269.
 - ii) During the year, the municipality negotiated a three-year renewal of a joint policing contract with the Minister of Community Safety and Correctional Services of Ontario (MCSCS) for the provision of police services by the Ontario Provincial Police (OPP). The term of this contract runs from January 1, 2019 until December 31, 2021, with the cost determined annually through a budget process. Either party to the agreement may terminate the contract upon one year's written notice. The annual statements are provided on or before October 1st each year for the municipality to review and approve. During the year ended December 31, 2018, the municipality's total expense for police services was \$ 1,943,852 (2017 - \$ 1,948,018). The estimated cost for 2019 is \$2,057,423.
-

22. GOVERNMENT BUSINESS ENTERPRISES

The municipality is the 100% owner of all of the issued capital of the corporation Énergie Kapuskasing Energy Inc. (EKE) which is the sole shareholder of both Hydro Kapuskasing Hydro Inc. (HKH) and Solaire Kapuskasing Solar Inc. (SKS). The financial activities are not consolidated with the municipality but are accounted for using the modified equity method. The municipality is contingently liable for the share of the accumulated operating losses of the government business enterprises. These losses amount to \$ 3,601,064 as of December 31, 2018 (2017 - \$ 2,617,466). The details of the financial position of the government business enterprises can be found on the Schedule of Government Business Enterprises Condensed Supplementary Financial Information (page 25). The following is a summary of the activities of these corporations:

Énergie Kapuskasing Energy Inc.

EKE is a shareholder in 16 corporations owned in part by municipalities across Northern Ontario. Each of these corporations have been established to own and operate solar panel electricity generation projects in their respective municipalities. EKE is responsible for the construction, administration and management of these solar projects and has applied with Ontario Power Authority (OPA) and/or the Independent Electricity System Operator (IESO) on behalf of these corporations to proceed with the solar projects. Current projects are discussed below:

Municipal solar corporations

EKE is a partial shareholder of Englehart Solar Inc., Solaire Cobalt Solar Inc., Solaire McGarry Solar Inc., Énergie Matachewan Energy Inc. and The Town of Kirkland Lake Solar Inc. The balance of the shares issued are held by the respective municipalities.

Englehart Solar Inc. has one FIT project operational since 2015.

Solaire Cobalt Solar Inc. was successful in obtaining five FIT projects, two of which were discontinued in 2017. The other three projects are now completed and have been operational since February 2018.

THE CORPORATION OF THE TOWN OF KAPUSKASING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

22. GOVERNMENT BUSINESS ENTERPRISES (CONT'D)

Solaire McGarry Solar Inc. was successful in obtaining four FIT projects, one of which has been operational since April 2015 and another one has been discontinued. The other two projects are now completed and have been operational since February 2018 and April 2018.

Énergic Matachewan Energy Inc. was successful in obtaining three FIT projects, one of which has been operational since October 2017. The remaining two projects were completed in June 2019.

The Town of Kirkland Lake Solar Inc. was successful in obtaining three FIT projects. The projects were completed in March 2019.

Solaire Kapuskasing Solar Inc.

SKS is a participant in two projects:

Owens and Williamson projects

SKS has purchased two solar projects namely the Owens and Williamson projects. Both of these projects were operational during the year.

ASI SPE projects

SKS has purchased four special purpose corporations owning nine solar panel projects in Mississauga and Ontario, all of which were operational during the year.

Hydro Kapuskasing Hydro Inc.

HKH is currently inactive.

23. BUDGET FIGURES (UNAUDITED)

The 2018 budget approved by Council was not prepared on a basis consistent with that used to report actual results. The budget was prepared on a modified accrual basis while Canadian Public Sector Accounting Standards require a full accrual basis. The budget figures treated all tangible capital purchases as expenses and did not include amortization expense on tangible capital assets. The budget also includes loan proceeds as revenues and principal payments on long term debt as expenses. Transfers to and from reserves are also budgeted as revenues and expenses while they should be reported as appropriations to and from the accumulated surplus. The budget figures presented on the statement of operations and accumulated surplus have been adjusted to exclude these amounts.

THE CORPORATION OF THE TOWN OF KAPUSKASING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

24. SUBSEQUENT EVENT

Subsequent to year end, the municipality awarded a contract for the reconstruction of a roof for a total cost of \$ 427,455.

25. FUTURE CHANGES IN ACCOUNTING STANDARDS

Pronouncements for 2018 are: Financial Statement Presentation, PS 1201, Foreign Currency Translation, PS 2601, Portfolio Investments, PS 3041, Asset Retirement Obligations, PS 3280 and Financial Instruments, PS 3450. They are effective for fiscal years beginning on or after April 1, 2021. PS 1201 Financial Statement Presentation includes the addition of a new statement outlining re-measurement gains and losses. PS 2601, Foreign Currency Translation includes guidance on deferral and amortization of unrealized gains and losses, hedge accounting and separation of realized and unrealized foreign exchange gains and losses. PS 3041 establishes recognition, measurement, presentation and disclosure standards relating to investments in organizations that do not form part of the government reporting entity. PS 3280 proposes to enhance comparability of financial statements among public sector entities by establishing uniform criteria for recognition and measurement of asset retirement obligations, including obligations that may not have been previously reported. PS 3450 provides guidance on the recognition, measurement, presentation and disclosure of financial instruments including derivative instruments.

Other pronouncements for 2018 are: Restructuring Transactions, PS 3430 and Revenue, PS3400. PS 3430 is effective for fiscal years beginning on or after April 1, 2018, and an early adoption is permitted. PS 3400 is effective for fiscal year beginning on or After April 1, 2022, and an early adoption is permitted.

The municipality has not yet adopted these standards and is currently assessing the impact of these standards on its financial statements.

26. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The changes had no effect on the surplus.

THE CORPORATION OF THE TOWN OF KAPUSKASING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

27. SEGMENTED INFORMATION

The municipality is a municipal government institution that provides a range of services to its residents. The nature of the segments and the activities they encompass are as follows:

General Government

General government consists of the activities of Council and general financial and administrative management of the municipality and its programs and services.

Protection Services

Protection services include fire, police services and other protection services.

Transportation Services

The activities of the transportation function include construction and maintenance of the municipality's roads and bridges, winter control, street lighting, air transportation and transit services.

Environmental

This function is responsible for providing water and sewer services to certain areas within the municipality. It is also responsible for providing waste collection, waste disposal and recycling services.

Health Services

The health services function consists of the activities of the cemetery and other medical services.

Social and Family Services

This function provides general assistance for social and family services.

Recreation and Cultural Services

The recreation and cultural services function provides indoor and outdoor recreational facilities and programs and library services.

Planning and Development

The planning and development services function manages commercial, industrial and residential development within the municipality.

The accounting policies used in these segments are the same as those described in note 1.

**THE CORPORATION OF THE TOWNSHIP OF KAPUSKASING
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS**

YEAR ENDED DECEMBER 31, 2018

	Land	Buildings	Vehicles machinery and equipment and hydrants	Street lights	Roads	Water system	Sewer system	Solar panels	Assets under construction	Total 2018	Total 2017
COST											
Beginning of year	\$ 639,873	\$ 33,763,467	\$ 31,218,557	\$ 1,352,159	\$ 37,240,028	\$ 13,572,047	\$ 17,637,709	\$ 2,510,261	\$ 943,402	\$ 138,877,503	\$ 135,399,720
Additions	-	158,003	160,927	-	-	-	592,061	-	3,288,754	4,199,745	3,477,783
Transfer of assets under construction	-	-	-	-	-	-	943,402	-	(943,402)	-	-
End of year	639,873	33,921,470	31,379,484	1,352,159	37,240,028	13,572,047	19,173,172	2,510,261	3,288,754	143,077,248	138,877,503
ACCUMULATED AMORTIZATION											
Beginning of year	-	10,826,494	12,842,451	458,121	10,278,738	4,392,434	5,691,991	668,335	-	45,158,564	41,493,771
Amortization during the year	-	1,022,068	1,604,987	48,903	673,144	247,742	347,491	125,513	-	4,069,848	3,664,793
End of year	-	11,848,562	14,447,438	507,024	10,951,882	4,640,176	6,039,482	793,848	-	49,228,412	45,158,564
NET BOOK VALUE	\$ 639,873	\$ 22,072,908	\$ 16,932,046	\$ 845,135	\$ 26,288,146	\$ 8,931,871	\$ 13,133,690	\$ 1,716,413	\$ 3,288,754	\$ 93,848,836	\$ 93,718,939

THE CORPORATION OF THE TOWN OF KAPUSKASING

SCHEDULE OF GOVERNMENT BUSINESS ENTERPRISES CONSOLIDATED STATEMENT OF FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 2018

The consolidated financial statements of Énergie Kapuskasing Energy Inc., has been prepared in accordance with International Financial Reporting Standards and include the accounts of its wholly-owned subsidiaries Solaire Kapuskasing Solar Inc. and Hydro Kapuskasing Hydro Inc. Below is a summary of the consolidated statement of financial position of Énergie Kapuskasing Energy Inc. as at December 31, 2018:

	2018	2017
ASSETS		
Current assets	\$ 5,042,230	\$ 1,038,213
Due from municipal solar corporations	10,775,992	14,429,022
	15,818,222	15,467,235
LONG-TERM ASSETS	398,694	296,641
PROPERTY AND EQUIPMENT	13,212,134	14,030,473
	\$ 29,429,050	\$ 29,794,349
LIABILITIES		
Line of credit	\$ -	\$ 16,000,000
Current liabilities	419,550	703,479
Due to the Corporation of the Town of Kapuskasing	12,634,053	12,018,698
Current portion of long-term debt	2,832,794	2,160,895
	15,886,397	30,883,072
LONG-TERM DEBT	16,638,101	1,312,459
LIABILITY FOR LOSSES IN MUNICIPAL SOLAR CORPORATIONS	505,616	216,284
	33,030,114	32,411,815
CAPITAL DEFICIENCY		
CAPITAL STOCK	100	100
ACCUMULATED DEFICIT	(3,601,164)	(2,617,566)
	(3,601,064)	(2,617,466)
	\$ 29,429,050	\$ 29,794,349

This summary statement does not contain all the disclosure required by the International Financial Reporting Standards. The complete set of financial statements can be obtained from management.

THE CORPORATION OF THE TOWN OF KAPUSKASING
SCHEDULE OF STATEMENT OF REVENUE AND EXPENSES - PLANNING BOARD
YEAR ENDED DECEMBER 31, 2018

	Budget (note 23)	2018 Actual	2017 Actual
REVENUES			
Planning grant	\$ 3,460	\$ 3,461	\$ 3,461
Planning board fees	3,000	2,522	1,857
	<u>6,460</u>	<u>5,983</u>	<u>5,318</u>
EXPENSES			
Salary, wages and employee benefits	70,360	70,747	54,843
Contracted services	5,000	1,526	6,149
	<u>75,360</u>	<u>72,273</u>	<u>60,992</u>
EXCESS OF EXPENSES OVER REVENUES	\$ (68,900)	\$ (66,290)	\$ (55,674)

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of
the Corporation of the Town of Kapuskasing

Opinion

We have audited the accompanying financial statements of the trust funds of the Corporation of the Town of Kapuskasing, which comprise the statement of financial position as at December 31, 2018, and the statements of continuity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the trust funds of the organization as at December 31, 2018, and its continuity 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 Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other 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.

Other Information

The financial statements for the year ended December 31, 2017 were audited by Collins Barrow Gagné Gagnon Bisson Hébert, which became Baker Tilly HKC effective January 7, 2019.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organization'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 organization or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT, (CONT'D)*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the 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 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 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 organization'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 organization'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 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 organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Baker Tilly HKC

Chartered Professional Accountants
Licenced Public Accountants
October 7 2019

THE CORPORATION OF THE TOWN OF KAPUSKASING

TRUST FUNDS

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

	2018	2017
FINANCIAL ASSETS		
Short-term investments (note 2)	\$ 464,845	\$ 445,419
Due from the Corporation of the Town of Kapuskasing	2,904	8,547
ACCUMULATED SURPLUS, END OF YEAR	\$ 467,749	\$ 453,966

TRUST FUNDS

STATEMENT OF CONTINUITY

YEAR ENDED DECEMBER 31, 2018

	2018	2017
ACCUMULATED SURPLUS, BEGINNING OF YEAR	\$ 453,966	\$ 419,880
REVENUES		
Sale of plots	6,767	11,999
Marker installation	1,700	2,300
Investment income	5,316	19,787
	<u>13,783</u>	<u>34,086</u>
ACCUMULATED SURPLUS, END OF YEAR	\$ 467,749	\$ 453,966

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

THE CORPORATION OF THE TOWN OF KAPUSKASING**TRUST FUNDS****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2018**

1. ACCOUNTING POLICIES**BASIS OF ACCOUNTING**

Capital receipts and income are reported on the cash basis of accounting.

Expenses are reported on the accrual basis of accounting, which recognizes expenses as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

2. INVESTMENTS

The total cost of investments of \$ 464,845 (2017 - \$ 445,419) reported on the Statement of Financial Position approximates the fair market value.
