ONTARIO ENERGY BOARD

IN THE MATTER OF sections 35 and 36.2 of the *Ontario Energy Board Act, 1998*, SO 1998, c 15, Sched B, as amended;

AND IN THE MATTER OF a letter from the Minister of Energy, Northern Development and Mines dated December 12, 2019 requesting the Ontario Energy Board to examine and report on potential projects to serve communities in Ontario that are not currently connected to a natural gas distribution system;

AND IN THE MATTER OF Ontario Energy Board Proceeding No. EB-2019-0255;

AND IN THE MATTER OF the Ontario Energy Board's final Guidelines for Potential Projects to Expand Access to Natural Gas Distribution issued on March 5, 2020;

AND IN THE MATTER OF a submission by Lakeshore Natural Gas Inc. and the Town of Marathon, Townships of Manitouwadge, Township of Schreiber, Township of Terrace Bay and the Municipality of Wawa in respect of a proposed natural gas distribution project.

Submission of Project Information re: Expansion of Natural Gas Distribution Service in Northern Ontario

August 4, 2020
(Revised and Consolidated to September 25, 2020)

TABLE OF CONTENTS

Part	Subpart	Schedule	Contents
I			**Proponent Information**
	1.1		Proponent Contact Information
	1.2		Request for Section 36.2 Funding
II			**Description of Proponents' Technical Expertise and Financial Capability**
	2.1		Technical Expertise
		A	*Terms of Reference of the Technical Advisory Committee*
		B	Curriculum vitae *of the members of the Technical Advisory Committee*
		C	*Description of experience and expertise of external technical consultants*
	2.2		Financial Capability
		D	*Pro forma financial statements for the Utility*
		E	*Audited financial statements for the Municipalities*
		F	*Indicative terms and conditions offered by TD Bank*
III			**Description of and Support for Project**
	3.1		Description of and Support for Project
		G	*Map showing the locations of Municipalities to be served*
		H	*Map showing proximate non-Indigenous communities and on-reserve Indigenous communities*
		I	*Maps showing location of the preferred route*
		J	*Gas Supply RFP*
	3.2		Customer Attachment Forecast
	3.3		Volume Forecast
	3.4		Energy Savings Forecast
	3.5		Construction Schedule
		K	*Project construction schedule*

	3.6		Community and Indigenous Support
		L	*Letters of support from agencies, institutions, business and industries*
		M	*Letters of support from Indigenous communities*
		N	*NOHF letter*
	3.7		Certificates of Public Convenience and Necessity and Municipal Franchise Agreements
		O	*Form of certificates*
		P	*Approved form of municipal franchise agreement*
IV			**Project Costs**
	4.1		Rate Stability and Rate Levelization
	4.2		Forecast Capital Costs
	4.3		Revenue Requirement
V			**Section 36.2 Funding**
	5.1		Total Funding Required
	5.2		Funding Per Customer Served (Year 10)
	5.3		Funding Per Volume (Year 10)
VI			**Distribution Charges**
	6.1		Estimated Annual Distribution Charges (10 Years)
VII			**Profitability Index / Benefit to Cost Ratio**
	7.1		Expected Profitability Index with Section 36.2 Funding
		Q	*PI Tables*
	7.2		Expected Profitability Index Without Section 36.2 Funding
VIII			**OEB Approvals**
	8.1		OEB Approvals Required
	8.2		Timeline of OEB Approvals
IX			**Glossary**
X			**Schedules**

PART I – PROPONENT INFORMATION

1.1 – PROPONENT CONTACT INFORMATION

Proponent Information	
Name of Proponents: Lakeshore Natural Gas Inc. jointly with the Town of Marathon, the Townships of Manitouwadge, Schreiber and Terrace Bay, and the Municipality of Wawa	File No. EB-2019-0255
Project Name: North Shore Gas Distribution Project	
Address of Head Office: c/o Town of Marathon, 4 Hemlo Drive, PO Bag TM, Marathon, Ontario, P0T 2E0	Telephone Number: (807) 229-1340
Names of Individuals to Contact	
Mr. Daryl Skworchinski, Chief Administrative Officer, Town of Marathon	Office Telephone Number for Mr. Skworchinski: (807) 229-1341
	Cell Phone Number for Mr. Skworchinski: (807) 229-1341
	Email Address: cao@marathon.ca
Ms. Stephanie Ash, Chief Executive Officer, Firedog Communications	Office Telephone Number for Ms. Ash: (807) 767-4443, ext. 222
	Cell Phone Number for Ms. Ash: (807) 474-5276
	Email Address: stephanie@firedogpr.com
Ms. Helen T. Newland Partner, Dentons Canada LLP	Office Telephone Number for Ms. Newland: (416) 863-4471
	Cell Phone Number for Ms. Newland: (416) 848-8550
	Email Address: helen.newland@dentons.com

1.2 – REQUEST FOR SECTION 36.2 FUNDING

On December 12, 2019, the Minister of Energy, Northern Development and Mines and the Associate Minister of Energy issued a letter to the Ontario Energy Board ("**Board**" or "**OEB**") under section 35 of the *Ontario Energy Board Act, 1998* ("**OEB Act**") expressing his intention to increase access to natural gas by making additional new projects, which would not otherwise be economically feasible under existing policies, eligible for ratepayer-funded financial support using the mechanism set out in regulations made under section 36.2 of the OEB Act ("**Section 36.2 Funding**"). The Minister asked the OEB to collect and analyze information about possible natural gas expansion projects, to assess whether the projects could be implemented substantially as proposed and to report back to the provincial government about expansion projects that the government could consider as potential candidates for financial support. By letter dated March 5, 2020, the OEB invited submissions of project information from proponents of projects to expand access to natural gas distribution and issued guidelines prescribing the content of such submissions (the "**Filing Guidelines**").

The Town of Marathon, Townships of Manitouwadge, Schreiber and Terrace Bay and the Municipality of Wawa (together, the "**Municipalities**" and each a "**Municipality**") and Lakeshore Natural Gas Inc. (the "**Utility**") (together, the "**Proponents**") make this joint submission of project information ("**Submission**") in support of their request for Section 36.2 Funding in the amount of $38 million for a new regional natural gas distribution system ("**Project**" or "**Distribution System**") to supply natural gas to each of the Municipalities.

This Submission has been prepared and is organized in accordance with the Filing Guidelines. While some of the information in this Submission is from documents filed in OEB Proceeding No. EB-2018-0329, convened to hear and determine the Municipalities' Phase 1 Application for approval of the Project ("**Phase 1 Application**"), much of the information is new or updated. For example, the volume (demand) forecast has been revised to reflect current energy prices and a more conservative forecast of customer attachments. The Project schedule has been updated to reflect more current Project milestones, including a new in-service date of November 2022. Construction cost estimates have been updated to reflect the

passage of time and the results of detailed site investigations. Finally, the gas supply information reflects the results of a recent competitive gas supply procurement process that concluded in July 2020. The forecasts of demand, revenue requirement and rates in this Submission, reflect all of these changes.

1.2.1 Project Overview

The Distribution System will be owned and operated by the Utility, a company incorporated and owned, in equal parts, by the five Municipalities. It will comprise discrete, stand-alone pipeline systems within each of the five Municipalities, each system physically unconnected with any of the other systems but each operated as part of a larger, single undertaking. The pipeline systems in each Municipality will be supplied by natural gas that is truck-delivered in the form of compressed natural gas ("**CNG**"), decompressed, injected into the Distribution System and re-delivered to Utility customers.

The "virtual" natural gas pipeline supplying natural gas to the Distribution System will comprise CNG facilities owned and operated by Certarus Ltd. ("**Certarus**"), including existing compression facilities located near Red Rock and Timmins, Ontario and new decompression facilities located on-site, within each Municipality. Certarus will also own and operate CNG storage trailers, parked on-site within each Municipality. These will provide continuity of supply in the event of a disruption of the "virtual" pipeline.

The Distribution System is scheduled to be in-service by November 2022, in time for the 2022-2023 heating season. While some construction-related activities are expected to commence in mid-2021 upon receipt of required regulatory approvals, the installation of mains and secondary lines will take place during the 2022 construction season, with the first round of Utility customers receiving service by November 1, 2022. If regulatory or other delays are encountered, it is possible to complete all of the activities required to commence service to first round customers by November 2022, in just one construction season (that is, in 2022).

The full roll-out of the Distribution System will be spread over three years (2022 to 2024). The staging of construction activities is shown in the construction schedule included and discussed below in Subpart 3.5.

1.2.2 Project Need

At present, there is no access to natural gas in the region and none of the incumbent gas utilities have applied for authorization to serve the Municipalities. This means the Municipalities' constituents must rely on propane, fuel oil, wood and electricity, all of which are more expensive and some of which are less reliable sources of energy compared with natural gas. High energy prices are a significant barrier to economic development in northern Ontario.

In its decision on the Phase 1 Application (the "**Phase 1 Decision**"), the OEB referred to the evidence of the clear public need for access to a less expensive and more reliable source of energy in northern Ontario and went on to expressly conclude that there was a need for the Project.[1]

1.2.3 Project Benefits

Access to less expensive energy in the form of natural gas will create $269 million in cost savings for residential and general service customers, over a 40-year period[2]. Annual savings attributable to conversions to natural gas in the residential sectors of the five Municipalities are forecast to be $3,833,247, calculated on a weighted average basis over the first ten years of operation of the Distribution System (see Subpart 3.4.2). Total annual savings for commercial and industrial customers in the Municipalities are expected to be $1,609,148 and $590,336, respectively (see Subpart 3.4.3).

Money saved by residential customers on energy consumption will reduce the overall cost of living of those customers. It is expected that much of these savings will be spent within the Municipalities, thereby stimulating regional economic activity and job creation. Energy savings in the commercial, industrial and institutional sectors will free up funds that can then be reinvested in the local communities.

[1] Phase 1 Decision, page 7.

[2] Residential savings net of conversion costs ($133.8 million – Subpart 3.4.2) plus commercial and institutional savings ($141.6 million – Subpart 3.4.3).

Access to less expensive energy will build economic capacity in Northern Ontario and promote, attract and support growth in the existing and emerging priority economic sectors identified in the *Growth Plan for Northern Ontario*. It will also assist northern communities and businesses in responding to economic opportunities and challenges in accordance with local priorities and in pursuing regional collaboration to advance common goals and strengthen northern Ontario's competitive advantages.

1.2.4 The Project Advances Ontario Government Policy

Providing northern Ontario communities with access to less expensive and reliable sources of energy is consistent with the government of Ontario's energy and economic development policies:

> There is significant demand for natural gas, particularly among families and business in rural and Northern Ontario. Natural gas is the most common heating source in Ontario and is more affordable than other sources, such as electricity, oil or propane. The government is committed to meeting this demand and is taking action to expand access to natural gas across Ontario…. Expanding natural gas would make Ontario communities more attractive for job creation and new business growth, and send a clear message that Ontario is open for business.[3]

A distribution system comprising a series of unconnected pipeline systems, each supplied by a "virtual" pipeline, is particularly well-suited to northern Ontario where communities are geographically isolated and the construction of physical pipelines to connect load centers to sources of gas supply may not be economically feasible. This model is highly scalable and the Municipalities expect that, over time, the Distribution System will be expanded to connect other municipalities and Indigenous communities in the region. The Municipalities have already received enquiries and expressions of interest in this regard, including from the Township of Chapleau, Sioux Lookout and Dubreuilville.

[3] Ontario, Government of. (2018). Fall Statement 2018. November 2018.
Web: https://www.fin.gov.on.ca/fallstatement/2019/chapter-1b.html#section-6

1.2.5 Wide Support for Project

The Project is a community-led and community-endorsed local government initiative, sponsored by the five Municipalities. The Government of Ontario has supported the Project since its inception, as evidenced by the Northern Ontario Heritage Fund ("**NOHF**") grant of $3.45 million grant awarded to the Municipalities in 2018 to fund development work. The Project also enjoys wide support from agencies, institutions, businesses and industries located within the Municipalities, from on-reserve Indigenous communities in the region and from non-Indigenous communities across northern Ontario. Letters from area mayors, Band counsels and chiefs, political representatives and local area businesses and industries are evidence of this support. The following are excerpts from five such letters:

- "Having the option to convert our heating system at the hospital to natural gas will greatly reduce our operating costs and allow us to apply these cost savings directly to patient care, where they are most needed." **Debbie Hardy, CEO, Santé Manitouwadge / Manitouwadge Health**.

- "Energy costs are a critical issue for all residents and businesses located in this part of Northern Ontario. The need for an economic and reliable natural gas supply has never been greater." **Adam Foulstone, General Manager, Barrick Hemlo**.

- "This innovative and transformational "made in the north" project, will without question, bring a safe and affordable supply of natural gas to residential, commercial, institutional and industrial customers in northwestern Ontario. It cannot be missed nor understated how valuable this project will be to the residents of Northern Ontario who currently are not serviced with natural gas." **Rick Dumas, Mayor, The Town of Marathon**.

- "The prospect of accessing natural gas not only represents long-term energy stability, but presents new socio-economic opportunities, environmental benefits, and enhanced community prosperity." **Chief Duncan Michano, Biigtigong Nishnaabeg**.

- "As MPP for Thunder Bay-Superior North, I support this ambitious energy project, and will express my full support." **Michael Gravelle, M.P.P., Thunder Bay—Superior North**.

1.2.6 Economic Feasibility and Need for Section 36.2 Funding

In its Phase 1 Decision, the OEB acknowledged the benefits that would flow from the Project and confirmed or approved many of the leave to construct components of the Project, including the need for the Project, its estimated capital cost and matters related to environmental, routing and land-related issues. Nevertheless, the Board declined to issue a final leave to construct approval because of concerns about the economic viability of the Project. Of particular concern to the Board was the Project's reliance on a large interruptible industrial customer for a large proportion of Project revenue. The Board indicated that a final leave to construct approval would be contingent on its review and acceptance of a plan to mitigate the risk of such reliance and of a rate stability proposal that protected customers from customer attachment and capital cost forecast risk.

Since the issuance of the Phase 1 Decision, the Municipalities have re-examined their forecasts and decided to adopt a more conservative approach that recognizes a number of different downward drivers, including the uncertainty about the interruptible industrial load and the economic impact of the COVID-19 pandemic on local economies. Specifically, the forecast of industrial demand has been revised to reflect the removal of the interruptible industrial load and small adjustments have been made to the forecasts of residential and commercial demand to reflect the expected, but currently unquantifiable, negative impact of COVID-19. While these changes have the effect of reducing forecast distribution revenues and increasing distribution rates, all other things being equal, this is not expected to have a material impact on customer conversion rates because the delta between the cost of natural gas and the cost of alternative fuels will not change significantly.

The OEB's prescribed test of economic feasibility requires a project Profitability Index ("**PI**") equal to 1.0.[4] The Utility's distribution charges will be set to achieve a 20-year revenue requirement PI of 1.0. Absent any Section 36.2 Funding, the Utility's distribution rates would need to be, on average, [redacted] higher throughout the 20-year levelization period that is being proposed, in order to meet a PI threshold of 1.0. Such rates would be too high to achieve forecast customer attachments, rendering the Project economically unfeasible.

In conclusion, the Proponents are requesting Section 36.2 Funding in the amount of $38 million. This funding corresponds to $12,021.51 per customer and $3.4867 per m^3 of gas consumed, in the tenth year of operation of the Distribution System. An award of Section 36.2 Funding will ensure the success of the Project and send a clear message that northern Ontario is open for business.

[4] See Ontario Energy Board, Distribution System Expansion Report (E.B.O. 188), January 30, 1998. Schedule 1 sets out the Discounted Cash Flow Methodology. The OEB's letter dated March 5, 2020 Re: Potential Projects to Expand Access to Natural Gas Distribution, Ontario Energy Board File No. EB-2019-0255 states at page 13: "[T]he OEB expects that proponents will base their PI calculation on the methodology outlined in E.B.O. 188, except as otherwise stated in the Final Guidelines."

PART II – DESCRIPTION OF PROPONENTS' TECHNICAL EXPERTISE AND FINANCIAL CAPABILITY

2.1 – TECHNICAL EXPERTISE

The Municipalities have a proven track record in constructing, operating and maintaining public infrastructure projects and in delivering critical public utility services to their residential, commercial, industrial and institutional constituents. They own and manage a wide range of linear assets, including roads, water and waste water systems, sewers and bridges. Collectively, these assets have an estimated replacement value of more than $400 million.

Notwithstanding the above, the Municipalities have no direct experience owning and operating a natural gas distribution system. This is not surprising and should not affect their eligibility for an award of Section 36.2 Funding provided they are able to demonstrate that they possess the capability and capacity to oversee and manage the development, construction and operation of the Project. The Board and the Government of Ontario can have confidence in this regard, for the reasons set out below.

2.1.1 Milestones Achieved

The Project was originally conceived in 2015, as part of a larger and joint undertaking between the Municipalities and Nipigon LNG Corporation ("**Nipigon LNG**"). In March 2018, the Municipalities received a NOHF grant of $3.45 million to conduct the development work for the Distribution System. In September 2018, a decision was taken to separate the undertaking into its constituent parts, with the Municipalities assuming sole responsibility for the development of the Distribution System, independently of Nipigon LNG's development of its LNG facility. Since that time, several important development milestones have been met.

Notably, the front-end engineering, environmental and economic work and the stakeholder consultation required to support a leave to construct application to the OEB was completed. The Phase 1 Application, seeking required regulatory approvals and orders, was filed in August 2019. The OEB issued its Phase 1

Decision in February 2020, confirming the need for the Project and approving the proposed routing, the environmental assessments, the form of Municipal Franchise Agreement between the Utility and the Municipalities and the form of site control agreements. In April, 2020 and in response to OEB concerns about proposed gas supply arrangements, the Municipalities initiated a competitive gas supply procurement process and, in the result, selected Certarus as their preferred gas supplier. Finally and as described above, in anticipation of making this Submission and the upcoming Phase 2 Application ("**Phase 2 Application**"), the Municipalities took steps to update much of the information that was included in the leave to construct portion of the Phase 1 Application.

2.1.2 Technical Advisory Committee

The Municipalities have recruited a team of seven individuals ("**Technical Advisory Committee**") to advise and guide them in their Project-related endeavors. It is expected that the Technical Advisory Committee will function much like a Board of Directors and the Municipalities anticipate that many of the future members of the Utility's Board of Directors will be appointed from amongst the members of the Technical Advisory Committee. Draft Terms of Reference for the Technical Advisory Committee are included as **Schedule A**.

The Technical Advisory Committee includes several former gas utility executives, a capital projects expert, a financial management expert, an expert in project construction and management and an expert in stakeholder and Indigenous engagement, as follows: (i) Glen Beaumont; (ii) Dave Charleson (iii) Marika Hare; (iv) Adam Brown; (v) Gord Wickham; (vi) Stephanie Ash; and (vii) Helen Newland.

Glen Beaumont served as President of Enbridge Gas Distribution from 2013 to 2016. Prior to that, Mr. Beaumont held various executive and senior roles within the Enbridge organization, including Senior Vice President, Operations and President of Gas New Brunswick. Mr. Beaumont is the Past Chair of MacKenzie Health, a member of the Board of Directors of Light Up the World and is as an Advisory Board Member of JANA Corporation (a company specializing in risk modeling and software to proactively manage leak

management and corrosion issues on gas pipelines) and KTI Limited (a company which provides business and process solutions to a range of industries, including gas utilities).

Dave Charleson enjoyed a 30-year career with Enbridge Gas Distribution, including seven years as Vice President, Energy Supply and Customer Care, responsible for energy supply, energy storage and customer care, and five years as General Manager, Enbridge Gas New Brunswick, responsible for overall strategic and policy direction for the utility that serves 10 communities and approximately 12,000 customers. Since retiring from Enbridge, Mr. Charleson has been providing advisory services to utility and energy clients, including the Municipalities.

Marika Hare spent 10 years with the OEB, including five years as a member of the Board, two years as Managing Director, Applications and Regulatory Audit and two years as Managing Director, Regulatory Policy Development. Prior to her time at the OEB, Ms. Hare held senior positions at Enbridge Gas Distribution, including General Manager, Central Region and Director, Regulatory Affairs. Ms. Hare began her career at TransCanada Pipelines Ltd. where she was Manager, Right-of-Way and Environment. Ms. Hare is a past member of the Boards of Directors of Guelph Hydro Electric Systems Inc., Peterborough Utilities Holding Company and the Peterborough Distribution Company.

Stephanie Ash is the founder and Chief Executive Officer of Firedog Communications ("**Firedog**"), an award-winning creative communications agency, headquartered in Thunder Bay. Firedog provides a wide array of services to clients across Ontario and beyond, including corporate communications, marketing and branding and strategic planning advice. Ms. Ash has particular expertise in stakeholder engagement, including consultations with Indigenous communities. The Municipalities retained Ms. Ash in October 2019 to act as their Project Manager with responsibility for administering all aspects of the Project and directing the internal and external members of the Project team. Ms. Ash reports to Daryl Skworchinski, Chief Administrative Officer of the Town of Marathon who oversees the Project on behalf of the Municipalities.

Gord Wickham is the vice-president of Northern Ontario and Senior Project Manager in the Thunder Bay office of Colliers Project Leaders. Mr. Wickham has more than 27 years of experience as a consultant, advising clients in northern Ontario on matters related to project development, feasibility and management. Mr. Wickham has worked on projects such as the Slate Falls Water Treatment Plan & Distribution System Project; the Constance Lake Water Treatment Plan Project, the Kasabonika Electrical Upgrade project and the Webequie First Nation Servicing Project. Mr. Wickham has served on a number of boards and committees in Northern Ontario.

Adam Brown is the Chief Executive Officer of North of Superior Healthcare Group, leading the operations of health care facilities and community based programs over three Northern Ontario municipalities and three First Nations, spread across 200 kilometres. Mr. Brown chairs and serves on boards and committees in Northern Ontario, including North of Superior Counselling Programs and Nawiinginokiima Forestry Management Corporation. Mr. Brown is a past chair of the Marathon Economic Development Corporation.

Helen Newland is a partner with Dentons Canada LLP and a leading energy law practitioner, with particular expertise in energy project development and utility regulation. She has over 30 years of experience as an energy lawyer in both the public and private sectors, including four years as counsel to the National Energy Board (now the Canada Energy Regulator). Ms. Newland has acted for some of North America's leading developers of energy projects, including Enbridge Inc., MidAmerican Transmission, Renewable Energy Systems and Capital Power.

The *curriculum vitae* of the members of the Technical Advisory Committee are included as **Schedule B**.

2.1.3 Utility Board of Directors and Senior Executive Team

As discussed below, Municipalities have not finalized or implemented their Utility financing plan. Upon receipt of confirmation as to the precise amounts of funding that is available in the form of government grants and low interest loans and the close of other financing arrangements, the Municipalities will initiate the process of staffing and operationalizing the Utility. This process is expected to commence in the last

quarter of 2020, with the appointment of a Board of Directors and the recruitment of a Senior Executive Team. The Municipalities expect that they will be greatly assisted in this regard by advice and guidance from the members of the Technical Advisory Committee.

2.1.4 Experienced Team of External Technical Consultants and Advisors

Over the course of the past five years, the Municipalities have worked with a number of well-known and experienced engineering, environmental, economic, communication and government relations consultancies to complete the work required to support the Phase 1 Application. These consultancies include Cornerstone Engineering ("**Cornerstone**"), Colliers International ("**Colliers**"), Stantec Consulting Ltd. ("**Stantec**"), Firedog and Elenchus Research Associates Inc. ("**Elenchus**"). The Municipalities continue to work with these consultancies as the development of the Project continues, on an as-required basis.

It is expected that as the Project moves forward, additional consultancies in the areas of system planning and design, gas supply planning, pipeline construction and utility structuring and governance will be retained to work under the direction of the Utility's Senior Executive Team.

A brief description of the experience and expertise of each of Cornerstone, Colliers, Stantec, Firedog and Elenchus is included at **Schedule C**.

2.1.5 Experienced Gas Supply Partner

The Municipalities have chosen Certarus as the Utility's preferred supplier of natural gas. Certarus is the North American market leader in bulk CNG delivery. A Canadian company incorporated in Alberta in 2012 and operating in Ontario since 2018, Certarus has invested over $400 million in 32 compression facilities that have a combined daily capacity of nearly 105,000 gigajoules ("**GJ**"). It has delivered over 12 million GJ of CNG to hundreds of unique clients.

Certarus has extensive experience supplying natural gas to natural gas utilities, including FortisBC, AltaGas, ATCO, SaskEnergy and Enbridge. While in some cases, Certarus is the utility's primary gas

supplier, in other cases it acts as a backstop when the primary supply is disrupted as a result of planned or unplanned outages. Certarus also supplies CNG to a portfolio of off-grid industrial clients that include grain dryers, asphalt plants, process plants, drilling rigs and power generators.

Certarus possesses specialized expertise in utility engineering and operations and will make this expertise available to the Utility. The Utility also expects to benefit from Certarus' experience managing conversions to natural gas in the commercial and industrial sectors. In the last five years, Certarus has invested over $5 million enabling such conversions. Certarus and the Utility intend to work together to develop and implement a customer conversion plan. Importantly, Certarus has agreed to provide the Utility with up to $1 million to fund a customer conversion rebate program.

2.1.6 Potential Utility Partners

The development of the Project and its potential to serve additional communities in northern Ontario has prompted expressions of interest from a number of parties seeking to enter into an arrangement with the Municipalities. Discussions have been ongoing for a number of months between the Municipalities and two different utility companies. However, in light of the need to optimize available resources in order to meet regulatory deadlines, the Municipalities have decided to defer further discussions with potential partners. To be clear, while the Municipalities expect that discussions with potential partners will resume at some point, their request for Section 36.2 Funding is not premised or dependent upon concluding an arrangement with another utility. The Proponents, themselves, possess and/or have access to the resources required to successfully develop, construct, operate and maintain the Project, without the need to acquire a utility partner or investor.

2.2 – FINANCIAL CAPABILITY

2.2.1 Overview

The Filing Guidelines request that proponents provide information about their financial capability to develop, construct, operate and maintain their proposed project, including credit ratings, financial statements and evidence of ability to access debt and equity markets. As the Utility, itself, is a new entrant and a special purpose vehicle incorporated to continue development, construction, operation and maintenance of the Distribution System, this section describes financial capability by reference to the Municipalities' financial capabilities, generally, as well as to the work that has been done, to-date, to finalize a financing plan.

2.2.2 Municipal Capabilities: Financial Statements and Accumulated Surpluses

Neither the Utility nor the Municipalities have been assigned a credit rating and neither has issued rated, long-term debt. Given the size of the Municipalities, this is to be expected and no adverse inference should be drawn.

The Utility is not yet operational and to-date, Project development has been undertaken by the Municipalities. Accordingly, the Utility does not have financial statements. In lieu of this information, the Proponents are providing: (i) *pro forma* financial statements for the first two years of operation of the Utility, based on the forecasts and estimates provided in this Submission; (ii) audited consolidated financial statements for each of the Municipalities for the fiscal years ending December 31, 2018 and December 31, 2017; and (iii) audited consolidated financial statements for the Municipality of Wawa for the fiscal year ending December 31, 2019. The 2019 audited financial statements for the other Municipalities are not yet available.

The *pro forma* financial statements and the audited consolidated financial statements for each Municipality are included in **Schedule D** and **Schedule E**, respectively.

The "Total Accumulated Surplus" of each Municipality, as at December 31, 2018 (December 31, 2019 in the case of the Municipality of Wawa), is set out in the following table.

Accumulated Surplus of Each Municipality

Municipality	Total Accumulated Surplus
Township of Manitouwadge	$25,592,978
Town of Marathon	$42,172,386
Township of Schreiber	$16,059,890
Township of Terrace Bay	$30,188,366
Municipality of Wawa	$29,449,117

2.2.3 Financing Plan

The Municipalities have developed a solid and cost-effective financing plan for the Distribution System. This plan will be finalized when there is certainty about the availability of Section 36.2 Funding. As discussed below, the Municipalities intend to finance the Project with a combination of government grants, municipal contributions and debt. Each of these components is discussed below.

2.2.3.1 Government Grants

In 2016, the Municipalities obtained NOHF[5] funding to assess the feasibility, costs and benefits of expanded access to natural gas along the north shore of Lake Superior. Based on the positive results of this assessment, the Municipalities applied for and received a grant of $3.45 million under the NOHF Strategic Economic Infrastructure Program.[6] This grant has financed the development of the Project to date.

In this Submission, the Municipalities are requesting Section 36.2 Funding in the amount of $38 million. Particulars of this request are set out in Part V below.

[5] The NOHF's mandate is to promote and stimulate economic development initiatives in Northern Ontario by providing financial assistance to projects that stabilize, diversify and foster the economic growth and diversification of the region.
[6] EB-2018-0329, Application, Ex. A, Tab 9, Sched. 4, p. 1.

2.2.3.2 Municipal Contributions

In 2016, each of the Municipalities contributed $10,000, for a total of $50,000, towards the cost of early-stage Project development activities. In 2018, each of the Municipalities contributed another $100,000 to finance the Project.

2.2.3.3 Debt Financing

Debt financing for the Project will be available in the form of a low interest loan from Infrastructure Ontario and, to the extent required, a credit facility from a commercial bank with whom the Municipalities have a long-standing relationship (although this is not a preferred option because municipal guarantees may be required as a condition of such financing). The precise amount of debt financing that is required will depend on the amount of Section 36.2 Funding that the Project receives. In the event that the Proponents receive the Section 36.2 Funding requested in this Submission (i.e., $38 million), the Municipalities anticipate concluding agreements for approximately $16 million of debt financing.

Infrastructure Ontario administers a Loan Program that provides long-term financing to municipalities and municipal corporations. In discussions with the Municipalities, Infrastructure Ontario has indicated a willingness to advance debt in an amount sufficient to finance the difference between the total Project cost (approximately $54 million) and the amount of Section 36.2 Funding that the Project receives. Infrastructure Ontario interest rates range from just under one percent for construction financing to just under three percent for long-term debt financing. Precise rates will depend on the term and nature of the debt product advanced.

If required, debt financing would also be available from a Canadian commercial bank, although as explained above, this is not a preferred option. The Municipalities have secured an indicative commitment from TD Bank to advance construction and ten-year term financing of up to $20 million dollars at very competitive rates. A copy of a letter confirming this commitment is included in **Schedule F**.

PART III – DESCRIPTION OF AND SUPPORT FOR PROJECT

3.1 – DESCRIPTION OF AND SUPPORT FOR PROJECT

3.1.1 Project Description

The Distribution System will be owned and operated by the Utility, a company incorporated and owned, in equal parts, by the five Municipalities. It will comprise discrete, stand-alone pipeline systems within each of the five Municipalities, each system physically unconnected with any of the other systems but each operated as part of a larger, single undertaking. The pipeline systems in each Municipality will be supplied by natural gas that is truck-delivered in the form of CNG, decompressed, injected into the Distribution System and re-delivered to Utility customers.

The “virtual” natural gas pipeline supplying natural gas to the Distribution System will comprise CNG facilities owned and operated by Certarus. Certarus’ natural gas compression facility in Red Rock will be the primary source of CNG for the Municipalities, with the exception of Wawa, which will be served from Certarus’ compressor facility in Timmins. Each of the Red Rock and Timmins facility has the capacity to compress 10,000 GJs of natural gas per day. In the unlikely event of a service disruption at either the Red Rock or the Timmins facility or in the event of an unexpected increase in the Utility’s requirements, Certarus will also be able to tap into its large fleet of portable compression units. These units serve to add additional layers of compression redundancy

Natural gas, purchased by the Utility, will be delivered to the Certarus Red Rock facility via the TC Energy Mainline and the Enbridge distribution system where it will compressed into specialized CNG trailers and delivered to each Municipality. Truck delivery will be provided by third-party operators, contracted by Certarus. Upon arrival in each Municipality, the CNG compression trailers will be connected to Certarus pressure reduction units and the CNG will be decompressed and injected into the Distribution System at distribution gas pressures specified by the Utility.

Between five and seven days' worth of gas demand will be stored in Certarus trailers located in each Municipality. The use of trailers to store gas, as opposed to permanent storage depots, will enable rapid deployment of additional storage capacity, if required. Conversely, trailers can be redeployed during off-peak seasons. The amount of stored CNG, at any one time, will reflect the Utility's requirements at that time, thereby reducing the overall cost of storage.

3.1.2 Communities Connected to Distribution System

The Distribution System will serve homes, businesses and institutions in the towns of Manitouwadge, Marathon, Schreiber, Terrace Bay and Wawa. **Schedule G** is a map that shows the locations of the municipalities and communities that will be served by the Distribution System.

The Distribution System, as presently conceived, will not serve any on-reserve Indigenous communities. Off-reserve members of Indigenous communities who live or have businesses in the Municipalities will be able to connect to the Distribution System in the same manner as other residents and businesses. However, as noted above in this Submission, the Project model is highly scalable and the Municipalities expect that, over time, the Distribution System will be expanded to connect other municipalities and Indigenous communities in the region. The Municipalities have already received enquiries and expressions of interest in this regard.

Schedule H is a map that shows the non-Indigenous communities and on-reserve Indigenous communities located proximate to the Municipalities that are potential candidates for expansion of the Distribution System.

3.1.3 Community Profiles

3.1.3.1 Overview

In 2016 (the last census), the combined population of the Municipalities was over 10,000, broken down as follows.

Combined Population of the Municipalities (2016 Census)

Municipality	Marathon	Manitouwadge	Wawa	Schreiber	Terrace Bay	Total
Population	3,138	1,708	2,610	1,059	1,611	10,126

As of 2016, there were over 5,500 residential, commercial, institutional and industrial buildings in the Municipalities. Of these, approximately 90% were residential buildings and 10% were commercial and institutional buildings. The residential buildings in the Municipalities were constructed, on average, about 50 years ago with an average size of approximately 1,400 square feet. The table below shows building stock, by sector, for each Municipality (2016 Census):

Building Stock in each Municipality, by Sector (2016 Census)

North Shore Community Building Stock						
	Manitouwadge	**Marathon**	**Schreiber**	**Terrace Bay**	**Wawa**	**Total**
Residential Total	996	1,389	597	759	1,287	5,028
Single Family Residential	*889*	*1,135*	*497*	*689*	*1,061*	*4,271*
*Multi-Unit Residential**	*107*	*254*	*100*	*70*	*226*	*757*
Commercial	75	95	59	70	156	455
Institutional	11	15	9	6	14	55
Industrial	0	0	0	1	0	1
Total	**1,082**	**1,499**	**665**	**836**	**1,457**	**5,539**

*Note: The number of multi-unit building residential building stock shown on this table reflects the number of units and not the number of buildings.

The Municipalities' economies were founded on mineral exploration and production, the harvesting of timber and the production of pulp and paper. Mining and forestry continue to be important drivers of the local economies to the present day. While there has been some decline in the forestry sector, the growth of the mining sector experienced over the past 10 years is expected to continue over the longer term. In 2018, the region produced 19% of Canada's total gold production. In recent years, there have been a number of significant announcements of exploration projects for minerals such as copper and zinc, lithium, cobalt, chromite and graphite. While resource extraction and production continue to dominate the local economies, the Municipalities have experienced growth in tourism and the development of a service and hospitality

sector. While hard data is not yet available, anecdotal evidence suggests that COVID-19 constraints on international travel has resulted in a significant surge in the number of visitors to the region. This is expected to continue at least until the end of the year and perhaps beyond.

The demographic and economic characteristics of each Municipality are more particularly described below.

3.1.3.2 Manitouwadge

The town of Manitouwadge, one of the first planned communities in northern Ontario, was founded in the early 1950's to service mining industries in the region. It is situated in the Thunder Bay District, midway between Thunder Bay and Sault Ste. Marie, on the shores of Manitouwadge Lake, 55 kilometres north of Highway 17.

After peaking in the 1980s, the population of Manitouwadge has steadily declined, coincident with mine closures in 1995 and 2006. The 2016 census recorded a population of 1,937 and an aging trend due in part to the out-migration of younger people to find work and the in-migration of seniors relocating to the community in order to take advantage of the relatively low cost of housing. Municipal infrastructure services have been designed with a capacity to service 6,000 people, more than three times the current population. The 2016 census recorded 895 residential dwellings in Manitouwadge, of which 750 were single-detached houses. Since then, housing stock has declined as older homes have been torn down but not replaced.

There are 86 commercial buildings in town, including a community shopping center and a number of larger institutional and public service buildings. These include a hospital, a Senior Citizens Residence, a Family Health Clinic, the local office of the Thunder Bay District Health Unit, four schools, three churches, a fire department and the local detachment of the Ontario Provincial Police ("**OPP**").

In 2016, the unemployment rate of Manitouwadge was 10.1%, representing an increase of 3.6% from 2006. Some workers living in Manitouwadge commute to jobs in the oil and gas/mining industry outside the town

and the province. Median household income for Manitouwadge has declined in recent years to $66,048 in 2016, largely due to the increase in the senior population.

3.1.3.3 Marathon

Marathon is the largest town along the north shore of Lake Superior, two kilometres south of Highway 17. Its history as a community dates back to 1881 when the railroad community of Peninsula was founded. After the railway was completed, Peninsula's population dwindled until a pulp mill was constructed in 1944-46. Subsequently, the town's name was changed to Marathon, in honour of Marathon Paper Mill.

The 2016 census recorded a population of 3,273. The population is relatively young, with a median age of 45 years and almost 16 percent under the age of 15. As of 2016, the number of residential dwellings in Marathon was 1,445, 1,075 of which were single-detached houses. There are 110 commercial and institutional buildings in the town. These include: six neighborhood shopping centers; health services buildings including a hospital, the Family Health Clinic, several dental clinics and the local office of the Thunder Bay District Health Unit; educational institutions, including five schools and a satellite campus of Confederation College; an OPP detachment; and ambulance service. Due to its location, Marathon is also a service centre for the region, with regional financial and business services that include one of only three Canadian Tire stores in the region. Finally, the town has a nine-hole golf course, an indoor pool, an arena and a curling club.

The local economy is based on mining, forestry, tourism and the provision of services to the region, including to the Indigenous communities of Pic River and Pic Mobert. In the early 1980s, gold was discovered at Hemlo, 40 kilometres east of Marathon. The Hemlo Gold Camp (now Barrick Gold) is one of the largest gold mining facilities in Canada. Forestry has been important since the construction of the pulp mill in the 1940s. The Canadian Pacific Railway ("**CPR**") operates freight cartage out of Marathon and the town is situated on a deep water harbour on Lake Superior.

Key economic initiatives include:

- The Hemlo Resource Expansion Project, an upgrading and modernization initiative by Barrick Gold ("**Barrick**"), will extend the life of the Hemlo Mine to 2028. The project will see the investment of over $19 million in exploration drilling, mine development and production.

- In 2019, the Town of Marathon assumed ownership and control of the former site of the Marathon Pulp Mill. The site includes 100 acres of fully serviced industrial land, a wharf and a deep water harbor on Lake Superior. The Town is in the process of conceiving a development concept with the objective of attracting investment and economic development to Marathon, thereby creating new jobs and generating additional tax revenue and other economic benefits. The project, when completed, will position Marathon to build and sustain a strong, broad local economy, including new businesses in the commercial, industrial, and light industrial sectors.

- The Marathon Palladium Project, situated approximately 10 kilometres north of Marathon, is believed to be the biggest undeveloped platinum group metal deposits in North America. The project has an estimated mine life of 14 years and will involve an initial capital investment of $431 million.

- Barrick Hemlo has announced the establishment of the North Superior Hemlo Fund which, in partnership with Marathon, Manitouwadge and White River, will provide $200,000 in loans to small businesses affected by the COVID-19 pandemic.

3.1.3.4 Schreiber

The Township of Schreiber was established in 1883, with strong links to the railway. In the 1880s the area was a construction camp for the CPR. After the last spike was driven into the transcontinental railway in 1886, the first train station was built in Schreiber. Schreiber is located on Highway 17, 14 kilometres west of Terrace Bay and 200 kilometres east of Thunder Bay. The CPR mainline runs through the town.

Schreiber's population in 2016 was 1,059. The population has been decreasing since 1996. Statistics show an aging trend, with median age increasing from 38.5 years in 2001, to 50.4 years in 2016. There are 500 residential buildings in Schreiber, most of which were constructed prior to 1986. Schreiber also has 59 commercial buildings and nine institutional buildings. These include the J.E. Stokes Medical Centre (part of the North Shore Family Health Team) and buildings related to the provision of other health services, including dental, addiction counselling and speech therapy services. Other institutional buildings include an Ambulance Service, a volunteer Fire Department and a sub office of the Nipigon detachment of the OPP. Schreiber has two elementary schools, a local library and five churches.

Historically, the economy of Schreiber has been based on the railway, forestry and mining. The proximity of Terrace Bay to Schreiber has enabled both communities to share business, social, health and municipal services. Today the major employer in Schreiber continues to be the CPR. The other major local employer, the Terrace Bay Pulp Mill, closed and re-opened twice in the mid-2000s, but was purchased in 2012 by the Aditya Birla Group and re-opened. Over 360 employees resumed employment at the mill under the new ownership. In the result, the rate of unemployment has decreased, from a high of 19% in 2006 to 9.6% in 2016.

3.1.3.5 Terrace Bay

Terrace Bay is located on Highway 17 and comprises a small urban community and a large rural area that includes the Slate Islands in Lake Superior. It was founded in 1947 as an improvement district and became a municipality in 1959. Logging began in 1891 and a pulp mill was first established in 1927. Kimberley Clark (formerly, Long Lac Pulp) developed the original town site as a one-industry town and the company owned much of the real estate and town infrastructure at the time.

In 2016, the population of Terrace Bay was 1,611. There are 745 residential buildings in Terrace Bay. There has been no growth in housing stock over the past 25 years and there is now a perceived shortage,

manifested by increases in local real estate prices. Terrace Bay has 76 commercial and institutional buildings and one industrial complex (i.e., the AV Terrace Bay pulp mill).

Terrace Bay is served by McCausland Hospital, the Aguasabon Medical Clinic, the local office of the Thunder Bay District Health Unit and several dental offices. Emergency services include an Ambulance Service, a volunteer fire department and a local detachment of the OPP. There are four churches and three elementary schools in the community, including a high school that serves the communities of Terrace Bay and Schreiber. Terrace Bay also has a municipal office, a recreation center and arena, a cultural center and an Ontario government building. An increasing population of seniors is expected to result in increased demand for smaller, affordable housing and a seniors' facility may be required in the future.

In 2016, individual and household incomes were $42,138 and $75,328, respectively. Employment is based on the lumber industry and, increasingly, on tourism. Terrace Bay is also experiencing an increase in service industry employment, particularly in the retail and food services sectors.

3.1.3.6 Wawa

Wawa is located 225 kilometres north of Sault Ste. Marie and 470 kilometres east of Thunder Bay, along Highway 17. Settlement of the community began in the early 1700s, when the Michipicoton trading post was established in the area. The name "Wawa" comes from the Ojibwa word for "wild 10 goose".

The 2016 census records a population at 2,905. There are 1,275 residential dwellings in Wawa, six apartment buildings of three or more stories, 170 commercial buildings and 13 institutional buildings. Wawa has seven schools and six churches. Health services are provided by the Lady Dunn Health Centre, the Wawa Medical Centre, the Wawa Family Health Team and a local branch of the Algoma District Health Unit. Emergency services include the Superior East Detachment of the OPP, an Ambulance Service and the volunteer Fire Department. The Wawa Community Centre houses an arena, curling rink, fitness centre, dance studio and squash courts. There is also a local library.

In 2016, the median individual and household incomes in Wawa were $34,987 and $65,824, respectively, and the unemployment rate was 6.3%. The economy is based on mining, forestry, tourism and the provision of regional services such as retail, health and education services. While the service sector continues to grow, jobs in primary manufacturing and forestry have decreased. In 2016, the following industries accounted for more than half of local employment: health and education (20%); manufacturing and construction (20%); and wholesale and retail trade (12%).

Gold was first discovered in the area in 1897 on the south shore of Wawa Lake and there continues to be a strong gold mining presence in the area, including the operating mines of Island Gold and the Wesdome Eagle River Complex. The local iron ore mine closed in 1998, one hundred years after iron ore was first discovered. The Weyerhauser Strandboard Mill closed in 2007. The mill was purchased by Rentech and is now being converted to a pellet mill that is expected to employ 40 people. In 2015, Augustine Ventures, Citabar, and Red Pine Exploration created the Wawa Gold Project, a joint venture to mine gold from an area immediately southeast of Wawa.

Wawa benefits from the unique advantage of its access to low-cost rail transportation and shipping transportation, through Michipicoten Harbour on Lake Superior, as well as from its proximity to multi-lane provincial highways (Hwy 101) and the Sault Ste. Marie International Bridge.

3.1.4 Description of Proposed Facilities

The Distribution System will comprise discrete pipeline systems in each of the five Municipalities, unconnected with each other, for a total combined length of approximately 116.5 kilometres, as follows:

Summary of Proposed Distribution Pipeline

Community	Approximate Length (km)				Material
	2” Pipe	4” Pipe	6” Pipe	Total Pipe	
Manitouwadge	17	3.5	-	20.5	MDPE NPS 2 & 4
Marathon	30	-	5	35	MDPE NPS 2 & 6

Community	Approximate Length (km)				Material
	2" Pipe	4" Pipe	6" Pipe	Total Pipe	
Schreiber	11.5	4.5	-	16	MDPE NPS 2 & 4
Terrace Bay	13	5	-	18	MDPE NPS 2 & 4
Wawa	20	7	-	27	MDPE NPS 2 & 4

The Project facilities will be designed in accordance with the specifications and requirements of the *Technical Standards and Safety Act*, 2000 and its regulations and with applicable Canadian Standards Association ("**CSA**") standards, including CSA Z662-15, all as set out in the following tables.

Pipe	Pipe–NPS 6	Units
Material	Medium Density Polyethylene	
Diameter	168.3	mm
Wall Thickness	15.3	mm
Grade	SDR 11	MPa
Specification	CSA B137.4	
Material Toughness	N/A	
Pipe coating specification	N/A	
Cathodic protection	N/A	
Class Location	3	
Design Pressure	690	kPa
Hoop Stress at Design Pressure	N/A	
Maximum Operating Pressure (MOP)	690	kPa
Hoop Stress at MOP	N/A	
Minimum Cover	0.75	
Fittings	CSA B137.4	
Flanges	N/A	
Valves	CSA B137.4	
Testing Medium	Nitrogen or Air	
Strength Test Hydrostatic Pressure	970	kPa
Hoop Stress at Strength Test Pressure	N/A	
Leak Test Hydrostatic Pressure	N/A	

Table 1: NPS 6 Pipe Specifications

Pipe	Pipe–NPS 4	Units
Material	Medium Density Polyethylene	
Diameter	114.3	mm
Wall Thickness	10.4	mm
Grade	SDR 11	MPa
Specification	CSA B137.4	
Material Toughness	N/A	
Pipe coating specification	N/A	
Cathodic protection	N/A	
Class Location	3	
Design Pressure	690	kPa
Hoop Stress at Design Pressure	N/A	
Maximum Operating Pressure (MOP)	690	kPa
Hoop Stress at MOP	N/A	
Minimum Cover	0.75	
Fittings	CSA B137.4	
Flanges	N/A	
Valves	CSA B137.4	
Testing Medium	Nitrogen or Air	
Strength Test Hydrostatic Pressure	970	kPa
Hoop Stress at Strength Test Pressure	N/A	
Leak Test Hydrostatic Pressure	N/A	

Table 2: NPS 4 Pipe Specifications

Pipe	Pipe–NPS 2	Units
Material	Medium Density Polyethylene	
Diameter	60.3	mm
Wall Thickness	5.5	mm
Grade	SDR 11	MPa
Specification	CSA B137.4	
Material Toughness	N/A	
Pipe coating specification	N/A	
Cathodic protection	N/A	
Class Location	3	
Design Pressure	690	kPa
Hoop Stress at Design Pressure	N/A	
Maximum Operating Pressure (MOP)	690	kPa
Hoop Stress at MOP	N/A	
Minimum Cover	0.75	
Fittings	CSA B137.4	
Flanges	N/A	
Valves	CSA B137.4	
Testing Medium	Nitrogen or Air	
Strength Test Hydrostatic Pressure	970	kPa
Hoop Stress at Strength Test Pressure	N/A	
Leak Test Hydrostatic Pressure	N/A	

Table 3: NPS 2 Pipe Specifications

The ancillary facilities comprising the Distribution System will include: a supervisory control and data acquisition or “SCADA” system that will continuously monitor the operating pressure of the discrete systems in each Municipality; a meter and pressure regulator at each customer connection; and sectional valves

that serve to isolate specific pipeline sections in order to accommodate regular maintenance and emergency repairs.[7]

The Distribution System will be interconnected, via underground conduits, to Certarus-owned and operated decompression facilities in each Municipality. Certarus will also own portable CNG storage trailers in each Municipality.

3.1.5 Routing, Land and Environmental Matters

3.1.5.1 Routing

The distribution mains will be installed, for the most part, within previously disturbed municipal rights-of-way, as described below (the "**Preferred Route**"):[8]

- Manitouwadge: Low-pressure NPS 4 MDPE will extend north, along Station Road, turn west onto Ohsweken Road, turn south onto Adjala Avenue and then southwest to Graham Drive.
- Marathon: Low-pressure NPS 6 MDPE will extend along Peninsula Road and Stevens Avenue.
- Schreiber: Low-pressure NPS 4 MDPE will commence at the TransCanada Highway, turn onto Simon Street and then east to Langworthy Street, turning south onto Peary Street and then south, until the end of Winnipeg Street.
- Terrace Bay: Low-pressure NPS 4 MDPE will extend along the TransCanada Highway and Mill Road.
- Wawa: Low-pressure NPS 4 MDPE will extend north, along the TransCanada Highway and Route 101 and then turn west, onto Government Road.

[7] EB-2018-0329, Argument in Chief, p. 11.
[8] EB-2018-0329, Argument in Chief, p. 11.

The Preferred Route was identified by Stantec as the alternative with the least potential for causing adverse environmental and socio-economic impacts. The Preferred Route minimizes route length, avoids sensitive environmental and socio-economic features, uses existing linear infrastructure wherever practicable, considers engineering and technical feasibility and optimizes customer supply. Input from the public and area stakeholders, including Indigenous stakeholders, was sought during the route selection process and was incorporated into the final route selection decision. In its Phase 1 Decision, the Board accepted the choice of the Preferred Route. Maps that show the location of the Preferred Route within each of the Municipalities are included at **Schedule I**.

3.1.5.2 Land Rights

As the pipeline will be installed in existing municipal rights-of-way, additional land rights are not expected to be required, with the possible exception of temporary working area rights. In its Phase 1 Decision, the OEB approved the forms of land use agreements, including easement agreements and working area agreements.

3.1.5.3 Environment

The Municipalities engaged Stantec to undertake an environmental and socio-economic impact study with respect to the construction, operation and maintenance of the distribution facilities in each Municipality. Stantec's findings are included in reports (the "**Environmental Reports**") that were filed in the EB-2018-0329 proceeding. In the Phase 1 Decision, the OEB approved matters related to Project environmental impact and proposed environmental mitigation on the basis of these reports.[9]

[9] Phase 1 Decision at s. 3.3, pg. 8.

3.1.6 Gas Supply Arrangements

3.1.6.1 Gas Supply RFP

Early on in the development of the project, the Municipalities concluded that the only economically feasible way to deliver natural gas to the Utility was via a "virtual" natural gas pipeline. This would entail contracting with a third party for liquefaction (i.e., LNG) or compression (CNG) services and trucking the LNG or CNG to each Municipality, where it would be re-gasified or decompressed, as the case may be, for injection into and redelivery by the Distribution System.

In August 2019, the Municipalities filed their Phase I Application which included a request that the OEB approve the Utility's Natural Gas Supply Plan and a proposed Gas Services Agreement with Nipigon LNG. In its Phase 1 Decision issued on February 27, 2020, the Board declined to approve the plan and the agreement and, instead, required the Municipalities to file a new Gas Supply Plan that included a more detailed assessment of CNG supply options vs. LNG options.

In response to the OEB's directive, the Municipalities decided to "go to market" and issue a competitive request for proposals ("**Gas Supply RFP**") for the provision of natural gas to the Utility, in the form of either LNG or CNG. This would permit the Municipalities to choose from among available and feasible gas supply options on the basis of price, risk and other relevant decision factors. A comprehensive RFP document was issued on April 27, 2020 and sent to nine LNG and CNG suppliers in Canada and the United States. A copy of the Gas Supply RFP is included as **Schedule J**.

The RFP sought the following gas supply services:

- the receipt and processing (i.e., liquefaction or compression) of firm daily volumes of natural gas, purchased by the Utility and/or the Utility's customers and delivered to the liquefaction or compression facilities, as the case may be, of the gas supply proponent;

- the truck transportation of LNG or CNG, as the case may be, from the gas supply proponent's facilities to storage and re-gasification or de-compression facilities located in each of the five Municipalities;

- enhanced gas supply reliability in the form of the provision of five days' worth of supply (in the form of LNG or CNG, as the case may), stored "on-site" in each of the Municipalities, save and except in the Township of Wawa where an inventory of seven days' worth of supply would be required; and

- the provision and operation, in each Municipality, of re-gasification or de-compression facilities, as the case may be, storage facilities (as per previous bullet point) and pipeline injection.

The RFP set out two different ten-year forecasts of demand (a high case and a low case) and two different forecasts of required on-site storage (a high and a low case). The RFP asked proponents to provide pricing for both the high and the low cases and assumed that services would be required as of September 2021.

The Gas Supply RFP stipulated minimum requirements that responding proponents were required to meet, namely:

- a management team that possessed a minimum of 20 years of relevant experience, spread across up to four individuals;

- a minimum financial capability of at least Canadian $10 million, which could be demonstrated by cash reserves, investor commitments, letters of credit or other means, as submitted by the proponent; and

- experience consulting and working with Indigenous communities.

The Gas Supply RFP also set out a comprehensive list of criteria by which proposals would be evaluated, as follows:

- background and information;
- experience and expertise in gas supply, as well as a general knowledge and familiarity of municipal governments, Northern Ontario and its geography and communities and knowledge of government and regulatory approval processes;
- financial capability, including a demonstrating a tangible net worth of at least Canadian $10 million or an investment grade credit rating of BBB-/Baa3 or higher, or other evidence of financial capability;
- technical information, including details regarding physical facilities used in the provision of gas supply, supply logistics and safety, reliability and regulatory and environmental considerations;
- value-add, including financing or equipment leasing proposals;
- relationship with Indigenous communities; and
- supply costs.

Expressions of interest were received from four suppliers and, ultimately, proposals were received from two LNG suppliers and one CNG supplier. Proposals were evaluated in accordance with the methodology set out in the Gas Supply RFP, as follows: background information (5 points); experience and expertise (15 points); financial capability (15 points); technical considerations (20 points); value-add (10 points); relationship with Indigenous communities (15 points) and cost (50 points).

At the conclusion of the evaluation process, the Municipalities decided to initiate negotiations with Certarus. The Municipalities and Certarus are in the process of negotiating the terms and conditions of a long-term agreement for the provision of a firm gas supply to the Utility. The Municipalities and the Utility will seek the OEB's approval of the rate-making consequences of this agreement as part of the Phase 2 Application.

3.1.6.2 Implications of Selecting the CNG Supply Option

The switch from LNG supply to CNG supply will necessitate relatively minor amendments to the leave to construct evidence that was included in the Phase 1 Application. The Municipalities do not view this as a significant undertaking because the switch to CNG will not require material changes to the design of the Distribution System, will not affect the proposed routing and will not require the Municipalities to acquire new land rights.

Certarus will own and operate the injection, decompression and storage facilities in each Municipality and will be responsible for securing required permits and authorizations in respect of these facilities. The physical footprint of the Certarus facilities in each Municipality will be smaller than the physical footprint of the LNG facilities, previously proposed. Finally, in contrast to the LNG supply option, gas odourization facilities will not be required to be installed in each Municipality, as the gas supply will be odorized upstream from the Red Rock compressor facility.

The Municipalities will need to inform stakeholders, including Indigenous stakeholders of the change to CNG. As with the OEB amendments, the Municipalities do not anticipate that this will be a significant undertaking because the change is not expected to materially affect the design, construction and operation of the Distribution System.

3.2 – CUSTOMER ATTACHMENT FORECAST

The annual and cumulative forecasts of the number of customer attachments for each Municipality over a ten-year rate stability period, by sector, in accordance with the Filing Guidelines, are set out in the table below. Forecast attachment rates for the residential sector (55%), commercial sector (63%) and institutional sector (96%) were applied to estimates of building stock (Subpart 3.1.3.1) to produce the customer attachment forecast shown in the table. The forecasts anticipate that the majority of potential customers will attach within the first few years of operation of the Distribution System, followed by more gradual annual additions. Attachments in Year 1 (November 2022 to October 2023) include customers attached at the time the Utility becomes operational in November 2022 (848 attachments) as well as additional attachments that occur during Year 1 ahead of the 2023-2024 heating season (1,249 attachments). In the remaining years in the forecast period, the attachment forecast corresponds to the number of attachments in the corresponding November to October period ahead of the next heating season.

10-year Customer Attachment Forecast

Year	Residential		Commercial		Institutional		Total	
	Attach.	Total	Attach.	Total	Attach.	Total	Attach.	Total
1	1,950	1,950	101	101	46	46	2097	2,097
2	390	2,340	57	158	0	46	447	2,544
3	129	2,469	44	202	0	46	173	2717
4	75	2,544	29	231	0	46	104	2821
5	75	2,619	14	245	0	46	89	2910
6	75	2,694	14	259	0	46	89	2999
7	31	2,725	14	273	0	46	45	3044
8	31	2,756	14	287	0	46	45	3089
9	31	2,787	5	292	0	46	36	3125
10	31	2,818	5	297		46	36	3161

An attachment rate of 55% or 2,818 residential customers by the tenth year of operation of the Distribution System is assumed. This attachment rate is based on forecasts included in the Phase 1 Application,

adjusted to reflect certain downward drivers such as the lingering economic impacts of COVID-19 through 2022-2023 and changes in relative energy costs since 2016. As the price differential between natural gas and other fuels has remained consistent, the financial benefits for conversion customers remain unchanged.

There are a number of reasons why a residential attachment rate of 55% is considered conservative. First, in a 2016 telephone survey to determine market demand for the Project, respondents who were familiar with the Project were more likely to say that they would convert to natural gas, if given the opportunity, than respondents who had no prior knowledge of the Project. Since 2016, the Project has received a lot of publicity within the Municipalities and awareness has grown. If a survey were to be conducted now, it is likely that a greater percentage of respondents would indicate a willingness or desire to convert to natural gas. Second, given the public profile of the Project within the Municipalities, it is likely that some residents have deferred investing in alternative fuels in anticipation of being able to access natural gas in the near future. Finally, the 55% residential forecast does not reflect the impact on residential conversion decisions of a yet-to-be-announced customer rebate program that the Utility intends to offer in partnership with Certarus.

The attachment forecasts for the commercial and institutional sectors assume attachment rates of 63% and 96%, respectively. These rates are based on the forecasts that were included in the Phase 1 Application, adjusted downward to reflect current economic conditions and changes in relative energy costs. The Phase 1 forecasts were based on the results of a telephone survey of potential customers that was conducted by Elenchus. Overall, 60% of commercial customers surveyed and 96% of institutional customers surveyed indicated they were willing to convert. The 65% commercial attachment rate in the Phase 1 Application included an upward adjustment of 5% to reflect an assumption that some percentage of “undecided” potential commercial customers would decide to convert.

The Utility has had discussions with one industrial customer who could decide to attach as early as the first year of operation of the Distribution System. However, as this customer has yet to commit, it is not included in the customer attachment forecast and its associated load is not included in the volume forecast.

3.3 – VOLUME FORECAST

Forecast volumes for the first 10 years of the Project, by customer class, are set out in the table below. Each year reflects forecast volumes for a 12 month period from November 1 to October 31, commencing November 1, 2022 (November 1, 2022 to October 31, 2023 being Year 1).

10-Year Volume Forecast (m^3)

Year	Residential	Commercial	Institutional	Total
1	2,024,880	546,103	1,615,396	4,186,379
2	4,381,978	1,155,478	1,890,997	7,428,453
3	5,156,178	1,745,130	1,886,270	8,787,578
4	5,410,815	2,190,671	1,881,554	9,483,041
5	5,560,644	2,474,456	1,876,850	9,911,950
6	5,709,690	2,616,781	1,872,158	10,198,630
7	5,846,514	2,758,380	1,867,478	10,472,372
8	5,898,913	2,899,255	1,862,809	10,660,976
9	5,951,014	3,028,036	1,858,152	10,837,202
10	6,002,817	3,072,978	1,853,507	10,929,301

The volume forecast for the residential sector assumes an annual per customer consumption of 2,200 m^3, as prescribed by the Filing Guidelines. [10]

Commercial customers are forecast to consume an average of 10,742 m^3 (400 GJ), annually. The institutional forecast is based on input from potential institutional customers who provided information about their energy requirements.

[10] The prescribed figure appears to be conservative for the residential customers of the Utility since it is lower than the 2,400 m^3 annual consumption figure that was accepted by the OEB for a "typical customer" served by Enbridge (see EB-2019-0095 Decision and Rate Order). Communities located along the north shore of Lake Superior have historically experiencing colder winters with heating degree days that have been approximately 50% higher than in the southern Ontario and the Greater Toronto Area region served by Enbridge.

For the purpose of deriving the annual volumetric forecast from the customer connection forecast, customers are assumed to attach at the end of each year, in the months of August to October, ahead of the winter heating seasons. Accordingly, the volume forecast includes only a small amount of consumption in the year that the customers connect to the system.

Finally, the forecast of volumes in each of the residential, commercial and institutional classes assumes a 0.25% annual decline in per customer consumption to reflect continuous efficiency improvements.

3.4 – ENERGY SAVINGS FORECAST

3.4.1 Residential Conversion Costs

The table below shows the estimated costs of converting residential heating systems to natural gas. Results from the residential survey described in Subpart 3.2 above were used to estimate the number of conversions, by fuel type, by the end of the tenth year of operation of the Distribution System. Estimates of the cost of converting residential heating systems to natural gas were informed by discussions with local heating, ventilating and air conditioning contractors and with other natural gas distribution utilities in Ontario.

Forecast Heating System Conversion Costs for Households

Current System	Estimated Conversion Cost	Conversions (Year 10)	Total Conversion Cost
Propane - Forced Air	$1,000	454	$454,000
Fuel Oil - Forced Air	$6,000	715	$4,290,000
Electricity - Forced Air	$6,000	798	$4,788,000
Electricity - Baseboard	$12,000	670	$8,040,000
Other	$4,250	181	$769,250
Total		2,818	$18,341,250

The table below shows estimated costs of converting residential water heating systems to natural gas. The estimates assume that new water heaters will be required in respect of all residential conversions to natural gas with the exception of propane to natural gas conversions.

Forecast Water Heater Conversion Costs for Households

Current System	Estimated Conversion Cost	Conversions (Year 10)	Total Conversion Cost
Propane	$1,000	454	$454,000
Other	$1,700	2,364	$4,018,800
Total		**2,818**	**$4,472,800**

3.4.2 Residential Energy Savings

As demonstrated by the table below, conversion to natural gas will result in material savings for residential customers who are currently reliant on propane, fuel oil and electricity. Annual energy savings per customer, calculated on a weighted average basis, are forecast to be $1,361.

Annual Residential Energy Savings Per Customer

Fuel	Unit Cost	Fuel Units	Unit Cost/GJ	Efficiency Adjusted Annual Usage	Annual Cost	Annual Savings	Cost Relative to Natural Gas
Natural Gas	$0.8420	/m^3	$22.61	84.85	$1,919		
Propane	$0.825	/L	$32.34	93.19	$3,014	$1,095	157%
Fuel Oil	$1.260	/L	$34.33	93.19	$3,199	$1,281	167%
Electricity Forced Air	$0.152	/kWh	$42.17	80.61	$3,399	$1,481	177%
Electricity Baseboard	$0.152	/kWh	$42.17	80.61	$3,399	$1,481	177%
Weighted Average (Average savings used for “Other”)						$1,360	171%

The unit cost of natural gas that underpins the estimates of residential energy savings shown in the table above includes the following cost components: residential distribution charges (see Subpart 6.1 below), commodity costs, upstream transportation costs, decompression, trucking, decompression and storage costs (i.e. Certarus charges) and the federal carbon charge. Estimates of each of these cost components are set out in the table below.

Estimated Cost Components of Unit Cost of Natural Gas

Charge	Estimated Cost per m^3
Distribution Rate	$0.3403
Upstream Costs	
Gas (Commodity)	$0.0801
TC Energy	$0.0641

Charge	Estimated Cost per m^3
Abandonment Surcharge	$0.0064
Enbridge Transport	$0.0224
Processing and Trucking	
Compression / Truck / Storage / Decompression	$0.2309
Carbon Charge	$0.0979
Total	**$0.8417**

The unit costs of propane and fuel oil that underpin the energy savings forecast shown in the table above are the average retail prices of those fuels in Thunder Bay from August 2019 to July 2020, as per the Natural Resources Canada average retail fuel prices dataset.[11] The applicable carbon charge has been applied to propane and fuel oil. The unit cost of electricity that underpins the savings forecast shown in the table above reflects the sum of time-of-use rates from the *November 2019 to October 2020 RPP Price Report* and variable transmission and regulatory charges applicable to Hydro One R1 customers. Variable distribution charges are not included because Hydro One has nearly completed its transition to fully fixed residential rates.

The following table shows the estimate of annual residential savings attributable to conversions to natural gas. Annual residential savings are forecast to be $3.833 million by the end of the tenth year of operation of the Distribution System, as the Utility reaches expected residential customer attachments of 2,818. Most of the forecast savings are in respect of residential customers converting from electricity, the most expensive fuel alternative. Savings for the “Other” category were estimated using the weighted-average annual savings for electricity, propane, and fuel oil, calculated as the combined total annual savings of the other fuels divided by the number of customers using those fuels. To the extent that the costs of the fuels

[11] Natural Resources Canada, *Average Retail Fuel Prices in Canada.* Web: http://www2.nrcan.gc.ca/eneene/sources/pripri/prices_byfuel_e.cfm.

included in the “Other” category are higher than the cost of propane, fuel oil or electricity, the estimate of overall regional savings would be conservative.

Estimate of Total Annual Residential Savings Attributable to Conversion to Natural Gas

Fuel	Likely to Convert to Natural Gas	# of fuel users in survey	% of each type	Sample # convert	% convert	Total Estimated Conversions	Total Estimated Savings
Propane	65.0%	48	12.1%	31.2	16.09%	454	$496,742
Fuel Oil	41.0%	120	30.2%	49.2	25.38%	715	$916,040
Electricity Forced Air	54.0%	85	21.4%	45.9	23.68%	667	$988,127
Electricity Baseboard	54.0%	102	25.6%	55.1	28.41%	801	$1,185,753
Other	29.0%	43	10.8%	12.5	6.43%	181	$246,585
Total		398		193.9		2,818	$3,833,248

Total savings over the first ten (10) years of operation of the Distribution System are set out in the following table, as required by the Filing Guidelines.

Total Residential Energy Savings (10 Years)

Year	Attachments at Start of Year	New Attachments	Total Savings
1	780	1,170	$1,061,012
2	1,950	390	$2,666,904
3	2,340	129	$3,179,323
4	2,469	75	$3,345,537
5	2,544	75	$3,438,178
6	2,619	75	$3,523,241
7	2,694	31	$3,614,932
8	2,725	31	$3,647,331

Year	Attachments at Start of Year	New Attachments	Total Savings
9	2,756	31	$3,679,545
10[12]	2,787	31	$3,711,575
		Total 10-Year =	31,867,580

Total net energy savings of residential customers who convert to natural gas are forecast to be $9,129,471 in the 10-year period (i.e., $31,867,580 of savings minus conversion costs of $22,814,050).

Annual energy savings will continue to increase beyond the 10-year period as conversion costs decline and, over the 40-year period from 2022 to 2032, total energy savings for residential customers are forecast to be $152.5 million, relative to total conversion costs of $26.3 million. This translates to $126.2 million in total savings when calculated on a net basis. A proportion of these cost savings will be spent within the Municipalities, stimulating the economy and creating new opportunities for all sectors in the Municipalities.

The following table provides an estimate of the GHG emission impact, per residential customer, of converting to natural gas per residential customer. Emissions for the "Other Fuel" category are not known and, accordingly, an average of fuel oil and propane emissions is used instead. Emissions data is from the Ontario Ministry of Environment, Conservation and Parks' *Guideline for Quantification, Reporting and Verification of GHG Emissions* and from the website of the Independent Electricity System Operator.

Estimate of GHG Emission Impact of Conversion to Natural Gas, Per Residential Customer

Fuel	Annual Consumption		CO2	CH4	N2O	CO2e
			(in tonnes)			
Natural Gas	2,200	m^3	4,098,600	81.4000	77.0000	4.1236
Fuel Oil	-2,212	L	-6,027,594	-13.2718	-68.5708	-6.0497
Propane	-3,195	L	-4,824,533	-86.2665	-345.0659	-4.9332

[12] Annual savings in this table considers anticipated equipment efficiency improvements for all fuels. Consumption, and corresponding energy savings, are expected to decline by 0.25% per annum.

Electricity Forced Air	-22,693	kwh	-1,270,813	-	-	-1.2708
Electricity Baseboard	-22,693	kwh	-1,270,813	-	-	-1.2708
Other Fuel			-5,426,063	-49.7691	-206.8184	-5.4914

Reductions of annual emissions of GHG as result of residential conversion to gas, by fuel type, are shown in the table below.

Reductions of Annual Emissions of GHG due to Residential Conversion to Natural Gas

Fuel	Connections	CO2	CH4	N2O	CO2e
		(in tonnes)			
Natural Gas	2,818	11,549,854,800	229,385	216,986	11,620
Fuel Oil	-715	-4,311,061,846	-9,492	-49,043	-4,327
Propane	-454	-2,188,189,995	-39,127	-156,506	-2,237
Electricity Forced Air	798	-1,014,072,202	-	-	-1,014
Electricity Baseboard	670	-851,414,004	-	-	-851
Other	-181	-983,618,031	-9,022	-37,491	-995
Total		2,201,498,722	171,744	-26,055	2,195

3.4.3 General Service Energy Savings

Access to natural gas will lower the operating costs of commercial, institutional, and industrial customers. Commercial customers are expected to save 39% by converting from propane to natural gas, 40% by converting from fuel oil to natural gas, and 55% converting from electricity to natural gas. The cost differential between natural gas and electricity is greater for commercial and institutional customers than for residential customers because those customers continue to incur variable distribution charges. As shown in the table below, commercial customers in the Municipalities are expected to save $1.61 million, annually, by converting to natural gas.

Estimate of Annual Commercial Savings Attributable to Conversion to Natural Gas

Commercial Customers				
	Current Annual Fuel Costs of Expected Customers	% of Customers Converting from Each Fuel	Annual Cost of Equivalent Energy in Natural Gas	Annual Savings with Natural Gas
Propane	$1,560,831	44%	$983,324	$577,508
Oil	$1,189,504	33%	$737,493	$452,012
Electricity	$1,093,638	23%	$514,010	$579,628
Total	$3,843,974	100%	$2,234,826	$1,609,148

Institutional customers are expected to save 23% by converting from propane, 40% by converting from oil and 58% by converting from electricity. As shown in the table below, institutional customers are forecast to save $590,000, annually, by converting to natural gas.

Estimate of Annual Institutional Savings Attributable to Conversion to Natural Gas

Institutional Customers				
	Current Annual Fuel Costs of Expected Customers	% of Customers Converting from Each Fuel	Annual Cost of Equivalent Energy in Natural Gas	Annual Savings with Natural Gas
Propane	$978,084	60%	$762,906	$215,179
Oil	$676,771	33%	$419,598	$257,173
Electricity	$206,990	7%	$89,006	$117,984
Total	$1,861,845	100%	$1,271,509	$590,336

Total savings in the first 40 years of operation of the Distribution System for general service customers (i.e., commercial and institutional), by Municipality, are provided in the table below. The costs of converting to natural gas for such customers will vary between and amongst such customers and, for this reason, have not been estimated. According, energy savings for the General Service class have not been calculated on a “net of conversion cost” basis.

Total Savings for General Service Customers, Per Municipality (40 Years)

Community	Conversions	Annual Savings at Full Attachment Rate	40 Year Total Savings
Manitouwadge	70	$370,893	$24,069,993
Marathon	89	$474,398	$30,787,200
Schreiber	55	$293,264	$19,032,087
Terrace Bay	62	$327,766	$21,271,157
Wawa	138	$733,161	$47,580,219
Total	**413**	**$2,199,483**	**$142,740,656**

Reductions in annual emissions of GHG, by fuel type, as result of conversion to gas by customers in the commercial and institutional sectors, are shown in the table below. Unlike in the residential sector, conversions to natural gas in the commercial and institutional sectors will result in a net overall reduction in GHG emissions because of the higher consumption of higher-emitting fuels in these sectors.

Reductions of Annual Emissions of GHG due to Commercial and Institutional Conversion to Natural Gas

Fuel	Connections	CO2	CH4	N2O	CO2e
		(in tonnes)			
Natural Gas	348	9,541,531,261	189,499	179,256	9,600
Fuel Oil	115	-4,620,510,000	-10,174	-52,564	-4,637
Propane	159	-5,526,237,600	-98,814	-395,254	-5,651
Electricity	74	-528,648,960	-	-	-529
Other	-	-	-	-	-
Total	-	-1,133,865,299	80,512	-268,562	-1,217

3.5 – CONSTRUCTION SCHEDULE

The Project is proposed to be in service in time for the 2022-23 heating season. The principal construction-related milestones are set out in the table below. A detailed Project construction schedule is included as **Schedule K**.

Principal Construction-Related Milestones

Major Milestones	
Milestone	*Target Date*
File Phase 2 application	March 1, 2021
Select survey contractor	June 16, 2021
Select geotechnical contractor	June 16, 2021
Receipt of Phase 2 approvals (assume written hearing)	July 21, 2021
Commence detailed design	July 22, 2021
Complete detailed design	September 29, 2021
Issue for construction package	September 30, 2021
Select construction contractor	February 2, 2022
Commence construction of backbones/mains	May 5, 2022
Completion of construction of backbones/mains	July 20, 2022
Commence installation of 2022 services	August 11, 2022
Complete installation of 2022 services	September 7, 2022
Complete commissioning of 2022 services	October 26, 2022
System operational	October 26, 2022
In-service date of 2022 customers	November 1, 2022

The Distribution System is scheduled to be in-service by November 2022, in time for the 2022-2023 heating season. As discussed in Part I above, while some construction-related activities are expected to commence in mid-2021 upon receipt of required regulatory approvals, the installation of mains and secondary lines will

take place during the 2022 construction season, with the first round of Utility customers receiving service by November 1, 2022. If regulatory or other delays are encountered, it is possible to complete all of activities required to commence service to first round customers by November 2022, in just one construction season (that is, in 2022). The full roll-out of the Distribution System will be spread over three years (2022 to 2024).

3.6 – COMMUNITY AND INDIGENOUS SUPPORT

The Project is being sponsored and will be owned by the five Municipalities. It enjoys wide support from agencies, institutions, businesses and industries located within the Municipalities, as evidenced by letters from the following agencies, businesses, communities and individuals (as well as the Municipalities themselves):

- Economic Development Corporation of Wawa;
- the Thunder Bay Chamber of Commerce;
- Thunder Bay Community Economic Development Commission;
- Santé Manitouwadge / Manitouwadge Health;
- Barrick Hemlo;
- North of Superior Health Care Group;
- Peninsula Manor Seniors Supportive Living;
- Spadoni Motors Ltd.;
- Superior North Catholic District School Board;
- Superior-Greenstone District School Board;
- Terrace Bay Superior Seniors Club;
- Drifters Motel & Restaurant;
- Basic Building Supply Inc.; and
- HWY 17 Motel.

These letters are included in **Schedule L**.

As discussed earlier in this Submission, the Project has also attracted the attention and support of Indigenous on-reserve communities and non-Indigenous communities from outside the Municipalities. These include:

- Red Rock Indian Band;
- Anwaatin[13];
- Biigtigong Nishnaabeg; and
- Bingwi Neyaashi Anishinaabek.

These letters are included in **Schedule M**.

The Government of Ontario has supported the Project since its inception, as evidenced by the $3.45 million NOHF grant awarded to the Municipalities in 2018 to fund development work. A copy of the letter from NOHF advising of its decision to provide the grant is included as **Schedule N**.

[13] See Anwaatin Inc.'s submissions dated January 6, 2020 in EB-2018-0329.

3.7 – CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY AND MUNICIPAL FRANCHISE AGREEMENTS

The Phase 1 Application included a request for an order under section 8 of the *Municipal Franchises Act*, RSO 1990, c M.55 granting certificates of public convenience and necessity ("**Certificate(s)**") authorizing the construction of the Distribution System in each of the five municipalities. In its Phase 1 Decision, the Board deferred its consideration of this request until Phase 2.

The form of certificates are included at **Schedule O**. Maps showing the boundaries of the proposed Certificates are included in Schedule I, described above.

In its Phase 1 Decision, the OEB approved the form of Municipal Franchise Agreement to be entered into between the Utility and each of the Municipalities under section 9 of the *Municipal Franchises Act.*[14] The approved form of Municipal Franchise Agreement is included in **Schedule P**. Each of the five Municipalities has resolved to enter into the now-approved form of agreement with the Utility.[15]

[14] Phase 1 Decision, s. 4.2, pg. 18.
[15] EB-2018-0329, Application, Ex. A, Tab 1, Sched. 2, p. 5.

PART IV – PROJECT COSTS

4.1 – RATE STABILITY AND RATE LEVELIZATION

The Proponents confirm that the Utility will adopt a 10-year Rate Stability period. In addition to a 10-year Rate Stability period, the Utility is also proposing a 20-year rate levelization period in order to align the timing of cost recovery with the expected rate of customer attachments, over time. Rate levelization is designed to produce distribution charges that increase at a steady inflationary pace over the early years of a utility's operations. Rate stability and rate levelization are both intended to maintain reasonable and predictable rates for the benefit of the Utility's customers and one is not inconsistent with the other. Rate levelization will reduce rates in the early years of the Project when the ability to attract customers is critical and will also have the effect of increasing rate stability over the full 20 year rate levelization period

The Utility intends to seek the Board's approval of a rate stability proposal and a rate levelization proposal in the Utility's inaugural OEB rate application. The Utility will also seek approval of a deferral account to record under-recoveries in Years 1 through 6. Balances in the account would be cleared and recovered in subsequent years of the levelization period.

4.2 – FORECAST CAPITAL COSTS

This Submission presents forecasts of revenue and revenue requirement on both a levelized and a non-levelized basis. The following table sets out the Utility's forecast of the capital cost of the Project.

Forecast Capital Costs

	Project Cost	**Column**					
	(in thousands of dollars)	**A**	**B**	**C**	**D**	**E**	**F**
Row	**Description of Cost**	**Marathon**	**Schreiber**	**Terrace Bay**	**Wawa**	**Manitouwadge**	**Total**
1	Material Costs	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
2	Construction Costs	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
3	External Costs (i.e.., Engineering, Surveying, Inspection)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
4	Other Project Costs (i.e., Project Management, Land, Approvals)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
5	Contingency	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
6	Interest During Construction	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
7	**Total Project Costs**	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
8	Less NOHF Grant	-[redacted]	-[redacted]	-[redacted]	-[redacted]	-[redacted]	-3,453
9	**Total Project Costs (net Grant)**	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Due to rounding, numbers presented may not add up precisely to the totals provided							

As shown in the table above, the total projected cost to construct the Distribution System, including contingency, is $[redacted], net of grants. The cost data that underpins this projection includes the cost estimate of distribution piping provided by an Ontario supplier of polyethylene pipe. Construction costs, including the construction cost of service connections, are based on estimates provided by LTL Group and

NPL Canada. The resulting construction cost estimate was then refined based on input from technical and construction experts with experience in the construction of distribution pipeline networks.

The construction cost estimate of the Distribution System reflects a full end-to-end build-out, to serve residential, commercial and institutional customers in all five of the Municipalities. Additional distribution pipe and services will be added in several phases to accommodate conversions and load growth over consecutive years.

The table below sets out a forecast of capital cost additions, per year, reflecting a roll-out over three construction seasons that correspond to two rate years. Capital additions ahead of the first round customers to be connected by November 2022 and additions in the following construction season in 2023 are included as Year 1. Annual additions of capital assets are assumed to be [redacted] of their initial asset value. The Utility anticipates ongoing capital additions of approximately $[redacted] per year, primarily for service pipeline, tools, and equipment, but no further mains are anticipated. Beginning in the third year, once the initial construction phases are complete, the annual cost of all capital additions is $[redacted].

Capital Additions per Year

Year	Capital Additions	Section 36.2 CIAC
1	$[redacted]	-[redacted]
2	$[redacted]	
3	$[redacted]	
4	$[redacted]	
5	$[redacted]	
6	$[redacted]	
7	$[redacted]	
8	$[redacted]	
9	$[redacted]	
10	$[redacted]	

4.3 – REVENUE REQUIREMENT

4.3.1 Revenue Requirement

As discussed above in Subpart 4.1, the Utility intends to levelize its revenue requirement over the first 20 years of operation of the Distribution System in order to better align the timing of cost recovery with the timing of forecasted attachments and volumes. The levelized revenue requirement is provided in the table below.

Revenue Requirement (Levelized) over 10-Year Rate Stability Period

Year	OM&A Expenses	Amortization Expense	Return on Capital	Revenue Requirement	Revenue Forecast
1	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
2	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
3	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
4	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
5	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
6	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
7	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
8	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
9	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
10	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

The table above reflects the following inputs and assumptions:

- A “year” comprises the period November 1 to October 31, November 1, 2022 to October 31, 2023 being Year 1;
- distribution rates are effective as of November 1 in each year;
- OM&A increases reflect an increase in attachments over time in addition to [redacted] year over year inflation (OM&A details are provided in Subpart 4.3.3);

- the customer additions in each year cause an incremental capital investment;[16]
- the amortization expense assumes a [redacted] year depreciable asset life for all distribution assets;
- the capital structure and return on capital reflect the OEB's deemed structure and rates, with one exception, namely a lower return on long-term debt applicable to a portion of long-term debt; the assumed weighted-average cost of capital is [redacted]%;
- [redacted]; and
- property taxes that do not reflect a municipal tax holiday are included in the operations, maintenance and administration ("**OM&A**") budget.

4.3.2 Rate Base

The 10-year forecast rate base is set out in the table below. The Section 36.2 Funding that is awarded to the Utility will be treated as a Contribution in Aid of Construction. This will significantly reduce the Utility's rate base and the corresponding "depreciation" and "return on capital" expense components.

10-year Forecast Rate Base

Year	Rate Base with Section 36.2 Funding	Rate Base without Section 36.2 Funding
1	$[redacted]	$[redacted]
2	$[redacted]	$[redacted]
3	$[redacted]	$[redacted]
4	$[redacted]	$[redacted]
5	$[redacted]	$[redacted]
6	$[redacted]	$[redacted]

[16] Hence, annual amortization increases as customers are added, Net capital invested and return on capital increase in years when new investment exceeds depreciation expense.

Year	Rate Base with Section 36.2 Funding	Rate Base without Section 36.2 Funding
7	$[redacted]	$[redacted]
8	$[redacted]	$[redacted]
9	$[redacted]	$[redacted]
10	$[redacted]	$[redacted]

4.3.3 Operations, Maintenance, and Administration

Forecasts of Utility annual OM&A expenses for the first ten years of operation of the Distribution System are provided in the table below.

10-Year Forecast of OM&A Expenses

Year	OM&A Expenses
1	[redacted]
2	[redacted]
3	[redacted]
4	[redacted]
5	[redacted]
6	[redacted]
7	[redacted]
8	[redacted]
9	[redacted]
10	[redacted]

A forecast of the Utility's OM&A expenses for the first two years of operation of the Distribution System (November 1 2022, to October 31, 2024) is provided in the table below. A two year forecast is provided because the OM&A in Year 1 includes expenses that will be incurred prior to the November 2022 in-service date to ensure the Utility is operational from the day that gas is first delivered. Accordingly, Year 1 OM&A is not representative of the Utility's ongoing operational expenses. The forecast estimates were developed

on the basis of, and informed by, an analysis of OM&A expenses of other natural gas distribution utilities in North America, as well as specific cost information provided by another Ontario natural gas distributor.

Forecast of OM&A Expenses (2023)

Account Description	Year 1 Forecast	Year 2 Forecast
General Management	$[redacted]	$[redacted]
Gas Technicians	$[redacted]	$[redacted]
Office Managers	$[redacted]	$[redacted]
Customer Service	$[redacted]	$[redacted]
Benefits	$[redacted]	$[redacted]
Incentive	$[redacted]	$[redacted]
Contingency	$[redacted]	$[redacted]
Integrity Management	$[redacted]	$[redacted]
Meter Reading	$[redacted]	$[redacted]
Billing and Accounting	$[redacted]	$[redacted]
Marketing & Sales	$[redacted]	$[redacted]
Fleet & Maintenance	$[redacted]	$[redacted]
Insurance	$[redacted]	$[redacted]
Office Supplies	$[redacted]	$[redacted]
Rent	$[redacted]	$[redacted]
On Call System	$[redacted]	$[redacted]
Donations	$[redacted]	$[redacted]
Regulatory Commission Expense	$[redacted]	$[redacted]
Professional Fees	$[redacted]	$[redacted]
Management Fees	$[redacted]	$[redacted]
Locates	$[redacted]	$[redacted]
Warehouse	$[redacted]	$[redacted]
Bad Debts	$[redacted]	$[redacted]
SCADA Assistance	$[redacted]	$[redacted]
Property Taxes	$[redacted]	$[redacted]

Account Description	Year 1 Forecast	Year 2 Forecast
Total	$[redacted]	$[redacted]

Property taxes are estimated based on 2020 MPAC assessment rates and current property tax rates within each Municipality. The virtual pipeline replaces the need for transmission pipelines so the property tax total, per customer, is lower than what would be expected for comparable projects supplied by a physical transmission pipeline.

PART V – SECTION 36.2 FUNDING

5.1 – TOTAL FUNDING REQUIRED

The Utility is requesting $38 million of Section 36.2 Funding. The Utility anticipates that this funding will be used to offset upfront capital costs, thereby reducing depreciation and expenses that would otherwise be recovered in distribution rates.

5.2 – FUNDING PER CUSTOMER SERVED (YEAR 10)

The Section 36.2 Funding that is requested in this Submission corresponds to $12,021.51 per customer in Year 10, calculated as follows: $38,000,000 / 3,161 customers = $12,021.51.

5.3 – FUNDING PER VOLUME (YEAR 10)

The Section 36.2 Funding that is requested in this Submission corresponds to $3.4879 per m^3 of gas forecast to be consumed in the 10th year of operation of the Distribution System (November 2031 to October 2032), calculated as follows:

= $38,000,000 / [(Year 10 Volumes)]
= $38,000,000 / (10,929,301 m^3)
= $3.4769 / m^3

The volumetric calculation shown above reflects the volumetric forecast set out in Subpart 3.3 above and, as explained in that subpart, excludes uncommitted industrial volumes. If such volumes were to be included, the volumetric funding request, in Year 10, would be $1.1628 per m^3 of gas.

PART VI – DISTRIBUTION CHARGES

6.1 – ESTIMATED ANNUAL DISTRIBUTION CHARGES (10 YEARS)

The Utility's rates have yet to be established and will be the subject of a future OEB application. For the purpose of this Submission, Elenchus has developed indicative distribution rates based upon the forecasts included in this Submission (i.e., customer attachments, volumes, capital and OM&A costs, and revenue requirement). The indicative rates reflect a 20-year rate levelization period, as discussed above in Subpart 4.1. The rate levelization mechanism is designed to achieve a revenue requirement Profitability Index ("**PI**") of exactly 1.0, over the 20-year levelization term, regardless of the amount of Section 36.2 Funding received. Accordingly, distribution charges will depend on the amount of such funding.

Indicative rates are presented for two scenarios: with Section 36.2 Funding and without Section 36.2 Funding. Absent such funding, indicative rates would, on average, be [redacted] higher throughout the proposed 20-year levelization term.

Finally, the indicative rates presented below assume [redacted] recovery through the variable charge. It is expected that the Utility's inaugural rate design will propose recovery of distribution costs, primarily through the application of a fixed monthly charge. Commodity costs will be recovered in the form of a per m^3 energy charge.

100% Variable Distribution Rates with Funding ($/m^3)

Year	Residential	Commercial	Institutional
1	0.3403	0.2256	0.1843
2	0.3472	0.2301	0.1880
3	0.3541	0.2347	0.1918
4	0.3612	0.2394	0.1956
5	0.3684	0.2442	0.1995
6	0.3758	0.2491	0.2035
7	0.3833	0.2540	0.2076
8	0.3910	0.2591	0.2117

Year	Residential	Commercial	Institutional
9	0.3988	0.2643	0.2160
10	0.4067	0.2696	0.2203

100% Variable Distribution Rates without Funding ($/m^3)

Total Variable Rates	Residential	Commercial	Institutional
1	0.6047	0.4087	0.3345
2	0.6168	0.4168	0.3412
3	0.6291	0.4252	0.3480
4	0.6417	0.4337	0.3550
5	0.6546	0.4423	0.3621
6	0.6676	0.4512	0.3693
7	0.6810	0.4602	0.3767
8	0.6946	0.4694	0.3843
9	0.7085	0.4788	0.3919
10	0.7227	0.4884	0.3998

PART VII – PROFITABILITY INDEX / BENEFIT TO COST RATIO

- Background

The OEB's *Guidelines for Assessing and Reporting on Natural Gas System Expansion In Ontario (January 30, 1998)* (**"1998 Guidelines"**) provide a framework for assessing the financial feasibility of a proposed expansion of an existing natural gas distribution system. The principles that underpin the 1998 Guidelines reflect the OEB's conclusions in its Report on Distribution System Expansion in Proceeding E.B.O. 188, also dated January 30, 1998**.** The 1998 Guidelines prescribe a Profitability Index or "PI" as the test for financial feasibility of potential expansion projects, calculated by comparing the net present value ("**NPV**") of an expansion project's cash inflows and cash outflows. A project with a PI of one (1.00) or higher is considered to be financially feasible because it will not cause increases in the distribution rates of existing utility customers, over the long term. A project with a PI of less than 1.00 may require capital contributions from the new customers that will be served by that project in order to mitigate the rate impact on existing customers.

Part VII of the Community Expansion Filing Guidelines or "Filing Guidelines" require proponents to provide summary tables that show the expected Profitability Index (i.e., the PI) of their expansion projects, calculated in accordance with the 1998 Guidelines, with and without the Section 36.2 Funding that is being requested for each project. Proponents are required to identify the major assumptions that underpin the PI calculations, including assumptions with respect to the level of Section 36.2 Funding, the revenue derived from rates (including any proposed system expansion surcharges), the amount of any capital contributions and the provision of municipal tax holidays or other forms of municipal financial support. Projects must demonstrate a PI of 1.00, calculated for each proposed project and not on the basis of a portfolio of projects.

As the Utility (i.e. Lakeshore Natural Gas Inc.) is a greenfield, new entrant utility that does not yet have customers or approved rates, the calculation of a PI in accordance with the 1998 Guidelines and the 2020 Filing Guidelines, presents certain challenges in terms of determining the value of the inputs into the

required PI calculations, specifically, the inputs related to the Utility's expected rate revenue which is dependent on the number of utility customers and the quantum of OEB-approved rates.[17]

The Proponents have addressed this issue by using estimates of cash inflows (i.e., revenue estimates) based on indicative rates that differ by scenario, determined in accordance with the OEB's rate-making methodology for natural gas utilities. These rates reflect the rates that the Utility expects to propose in its rate applications, with annual inflationary adjustments such that the net present value of the Utility's indicative revenues are equal to the net present value of the Utility's forecast revenue requirements over a 40-year rate levelization (i.e., smoothing) period, as more particularly described below.

- Profitability Indexes

Profitability Index tables, with and without Section 36.2 Funding, are presented below in Subpart 7.1 (with funding) and Subpart 7.2 (without funding). In summary, over the 40-year revenue horizon, the Utility is expected to achieve a PI of 1.00 if it receives the $38 million of Section 36.2 Funding that it has requested. If the Utility receives no Section 36.2 Funding and if all other assumptions are held constant (including rates), the Project PI over the 40-year revenue horizon is [redacted] The delta between the Profitability Index under the "with Section 36.2 Funding" and "without Section 36.2 Funding" scenarios demonstrates the impact that receipt of Section 36.2 Funding will have on the financial feasibility of the Project.

Simply stated, the receipt of Section 36.2 Funding will exert downward pressure on the Utility's distribution rates by reducing its capital costs and, thus, its overall revenue requirement. The lower the revenue requirement, the lower the distribution rates charged to recover that revenue requirement. Conversely, without Section 36.2 Funding, the Utility will need to borrow an additional $38 million. The cost of that

[17]The rates that are ultimately approved by the OEB for the Utility are comparable to the total rate, including any proposed system expansion surcharges, that would be applicable to an incumbent utility's expansion customers.

borrowing will increase the depreciation expense and cost of capital components of the Utility's revenue requirement and, thus, its distribution rates.

For the purpose of comparing the various projects for which Section 36.2 Funding is sought, the delta between the Utility's distribution rates, with and without Section 36.2 Funding, is analogous to the project-specific surcharges imposed by incumbent utilities on expansion customers in order to increase the PI of expansion projects that would otherwise have a Profitability Index of less than 1.00. This notional surcharge becomes even larger when the further upward pressure on the Utility's rates, caused by fewer conversions to natural gas as a result of higher rates under the "no funding" scenario, is taken into account.

The Utility recognizes that there is a limit to how much distribution rates can be increased to recover higher costs without affecting the Utility's ability to achieve its forecast of customer attachments. Higher rates will erode the all-in price advantage of natural gas, relative to alternative fuels such as electricity, propane and fuel oil. As shown in Table 1 below, without Section 36.2 Funding, the weighted-average payback period for customers switching from alternate fuels to natural gas increases from 5.25 years to 11.15 years. It is expected that a significant number of potential customers who currently use fuel oil or electricity to heat their homes and businesses would decide not to convert to natural gas if the payback period is greater than three years[18]

Table 1: Payback Periods for Conversions from Alternate Fuels

Fuel	Payback Period	
	With Funding	Without Funding
Propane	0.91 Years	2.17 Years
Fuel Oil	5.36 Years	11.54 Years

[18] Conversions from fuel oil to natural gas will also be driven by the costs of meeting environmental requirements for customers that remain on an alternative fuel. Conversions from electricity are expected despite a payback period of greater than three years due to non-financial considerations such as comfort and reliability.

Electricity – Forced Air	4.51 Years	8.37 Years
Electricity - Baseboard	10.38 Years	23.17 Years
Weighted-Average	**5.25 Years**	**11.15 Years**

To put all of this in perspective, without the requested Section 36.2 Funding, distribution rates would need to be set approximately [redacted] higher in the first 20 years of the Utility's operation and approximately [redacted] higher in the second 20 years of operation, than what they would be if the requested Section 36.2 Funding were received. An [redacted] increase in distribution rates, which corresponds to an all-in bill increase of approximately [redacted] would increase the payback period beyond the point where conversions would be attractive for most customers. The project would become unfeasible from the perspective of being able to attract customers.

- Project Profitability Index Summary Tables

Profitability Indexes have been calculated for four different scenarios, reflecting three key differences: whether Section 36.2 Funding is received or not; whether rates are set to reflect the receipt of Section 36.2 Funding or not; and whether rates are reset in Year 21 or not:

- $38M Section 36.2 Funding, rates reset in Year 21
- $38M Section 36.2 Funding, no rate reset in Year 21
- $0M Section 36.2 Funding, but rates and revenue reflect full $38M funding, rates reset in Year 21
- $0M Section 36.2 Funding, rates reflect no funding, rates reset in Year 21

The 40-year Profitability Indexes for each of these four scenarios are summarized in Table 2.

Table 2: Differences Amongst Scenarios

Subpart	Scenario	Funding	Rates Based on Funding	Year 21 Reset	PI

7.1	**Scenario 1 ("with funding")**	**$38M**	**$38M**	**Yes**	**1.00**
	Scenario 2	$38M	$38M	No	[redacted]
7.2	**Scenario 3 ("without funding")**	**$0**	**$38M**	**Yes**	[redacted]
	Scenario 4	$0	$0	Yes	[redacted]

The Profitability Index of each of the four scenarios is underpinned by the same customer attachment and volume forecasts derived from the results of a survey of potential customers within the Municipalities which asked interviewees whether they were likely to convert to gas, assuming expected savings. The Profitability Index of each of the four scenarios is also underpinned by the same indicative rate forecast, without regard to how revenue requirement and customer attachments would be affected by the higher rates that would be required if Section 36.2 Funding were not secured. In the result, the Scenario 4 Profitability Index of [redacted] is highly unrealistic given the "without funding" payback period shown in Table 1 above is [redacted] years.

The differences in distribution rates between the "with and without funding" scenarios are set out in Table 3 below.

Table 3: Rates With and Without Funding, Assuming No Impact on Connections[19]

($/m^3)	**Residential**			**Commercial**			**Institutional**		
	With Funding	Without Funding	Diff.	With Funding	Without Funding	Diff.	With Funding	Without Funding	Diff.
Year 1	[redacted]								
Years 1-20	[redacted]	[redacted]		[redacted]	[redacted]		[redacted]	[redacted]	
Year 21	[redacted]								
Years 22-40	[redacted]	[redacted]		[redacted]	[redacted]		[redacted]	[redacted]	

[19] Rates in Years 2-20 will be based on Year 1 rates, with all rates escalating at the same rate; hence, the percentage differences will not change. Similarly, rates in Years 22-40 will be based on Year 21 rates, with all rates escalating at the same rate; hence, the percentage differences will not change from the Year 21 percentages. Tables showing the rates in all years for each scenario are provided in subparts 7.1 and 7.2.

Residential distribution rates would be [redacted] higher in each year from Year 1 to Year 20 if Section 36.2 Funding is not received. Commercial and institutional distribution rates would be [redacted] and [redacted] higher, respectively. Receipt of Section 36.2 Funding also results in downward pressure on distribution rates in years 21 to 40, albeit to a lesser degree.

- Assumptions Underpinning Profitability Index Calculations

The Profitability Index summary tables provided below are underpinned by a number of assumptions, including assumptions about the time period covered by the analysis, the determination of Utility revenue, the calculation of depreciation and the re-setting of rates.

  - *period covered by analysis*

The Profitability Index calculations cover a 40-year period, the revenue horizon stipulated in the 1998 Guidelines. The Utility intends to commence service to first-round customers in November 2022. Accordingly, the 40-year period commences on November 1, 2022 and ends on October 31, 2062.

  - *rate levelization*

Revenue forecasts for the 40-year period have been derived using forecasts of indicative rates that reflect the OEB's accepted rate-setting methodology for natural gas utilities and the application of a rate levelization methodology. In other words, rates have been determined in a manner the Utility expects would be approved by the OEB in future Cost of Service (**"COS"**) applications.

Under the standard COS approach to rate-making and without levelization, rates would be highest in the early years of a utility's operation and decline over time, as the Utility's assets are depreciated. Under a levelization approach, rates are increased annually, by the rate of inflation, thereby reducing the required rates in the earlier years of the utility's operation, when a greenfield utility's ability to attract customers is critical. Attracting more customers means the Utility can spreading its fixed costs over a larger customer

base resulting in lower rates than would otherwise be the case. Put another way, more competitive rates improve a project's financial feasibility.

The Utility proposes to levelize rates over two, consecutive 20-year levelization periods. The NPV of the Utility's revenues will be equal to the NPV of its revenue requirements during each levelization period, such that the Profitability Index will be 1.00.[20]

- *re-setting of rates*

Three of the four PI scenarios presented reflect the resetting of rates in Year 21, such that rates are levelized again from Year 21 to Year 40. Rate levelization for years 21 to 40 ensures that the NPV of revenues in the 40-year period is equal to the NPV of the Utility's revenue requirements; this also ensures that revenues are aligned with the cost to serve over the full 40-year period. The necessity of rate resetting is demonstrated by the difference between Scenario 1 and Scenario 2; the Utility would achieve a PI of 1.31 if rates were not reset.

It is intended that distribution rates be levelized over consecutive, 20-year periods, on an ongoing basis. At the beginning of each 20-year levelization period, rates will be adjusted to reflect updated 20-year forecasts of costs and revenues. After rates are reset, rate increases applied to those rates will be limited to the rate of inflation for the duration of the levelization period. This will be done while also maintaining a net present value of revenues equal to the net present value of those revenue requirements over the 20-year period. Applying two consecutive 20-year levelization periods sets the net present value of revenues equal to the net present value of revenue requirements through the full 40-year period considered in this analysis.

[20] Since some of the Utility's assets are depreciated over 55 years, which exceeds the time period for the PI analysis required for Part VII, the PV of the revenue requirement related to the additional 15 years of depreciation is include in the analysis used to derive the tables presented below. This approach ensures that a calculated PI of 1.0 corresponds to a project being feasible over the full 55-year life of the assets.

- *additional assumptions*

The Profitability Index calculations in the tables that follow are also underpinned by the following assumptions: a [redacted] discount rate (equal to the assumed weighted-average cost of capital), a [redacted] rate of inflation applied to OM&A costs and a [redacted] escalation in distribution charges. No amounts related to municipal tax holidays, capital contributions (aside from the Section 36.2 Funding) or municipal support or contributions have been incorporated into the forecasts.

7.1 – EXPECTED PROFITABILITY INDEX WITH SECTION 36.2 FUNDING

Table 4 below summarizes the Profitability Index results for the two scenarios that assume that Section 36.2 Funding is received. Complete PI tables for the "with funding" scenarios are included in **Schedule Q**.

Scenario 1 assumes that rates are re-set in year 21 in order to align costs and revenues in the years 21 through 40. Under Scenario1, the NPV in the first 40 years is $[redacted] and the PI is 1.00 for the full 40-year period as well as for each of the two levelization periods (years 1 – 20 and 21 – 40). This demonstrates that the Project is feasible based on the 40 -year revenue horizon.[21]

Scenario 2 assumes that rates are not re-set in Year 21. Accordingly, rates in years 21 through 40 are higher in Scenario 2 than they are in Scenario 1. As a result of the levelization methodology, a portion of rates in later years of the levelization period is collected to recover costs incurred earlier in the period. After the levelization period, the Utility forecasts that it will fully recover the costs incurred throughout the period, so the portion of rates that is associated with the cost incurred in the early years should be removed going forward. The Utility would continue to recover costs that it has already fully recovered if the Year 21 rate is escalated from the Year 20 rate. As a result, if rates were not reset in year 21, rates in years 21 to 40 would

[21] The 40-year term corresponds to the "customer revenue horizon of 40 years from the in-service date of the initial mains" as specified in paragraph 2.2 (b) of Appendix B of the 1998 Guidelines.

result in the over-recovery of the revenue requirement, resulting in a 40-year PI greater than 1.00. As Table 4 shows, the Scenario 2 PI is [redacted] and the NPV is $[redacted]

Table 4: PI, NPV, and Resulting Rates for Scenarios 1 and 2

	Scenario 1 – With Funding	Scenario 2 – With Funding
	$38M Funding – Rates Reset in Year 21	$38M Funding – Rates not Reset
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]

7.2 – EXPECTED PROFITABILITY INDEX WITHOUT SECTION 36.2 FUNDING

Table 5 below summarizes the Profitability Index results for two scenarios that assume that no Section 36.2 Funding is received. Complete PI tables for the "no funding" scenarios are included in **Schedule Q**. Neither "no funding" scenario is an accurate reflection of how the Utility would actually proceed, if it did not receive the Section 36.2 Funding requested.

Under Scenario 3, the NPV is [redacted], in the first 40 years and the PI is [redacted]. This demonstrates that the Project is not financially feasible under indicative rates, without Section 36.2 Funding. This contrasts with a Profitability Index of 1.00 under the "with funding" Scenario1. Both scenarios assume the same indicative rates. Scenario 3 does not represent a realistic outcome, however, because without the requested Section 36.2 Funding to reduce upfront capital costs, the rates required to recover the Utility's revenue requirement would have to be significantly higher. The price advantage of natural gas relative to alternate fuels would be eroded and attachments and volumes would fall, putting additional upward pressure on rates.

Scenario 4, no funding, assumes that rates are set to fully recover the Utility's revenue requirements. Under this scenario, should the Utility not receive $38 million in Section 36.2 Funding, its rates would have to be increased in order to recover the Utility's higher cost of borrowing over the [redacted]year life of its assets.[22]

Rates would be approximately [redacted] higher without Section 36.2 funding such that the Utility would not be able to meet its customer attachment and volume forecasts.

[22] The additional capital requirement is assumed to be funded by debt and equity in proportion to the OEB deemed capital structure for natural gas utilities; hence, the deemed weighted average cost of capital is used.

Table 5: PI, NPV, and Resulting Rates for Scenarios 3 and 4

	Scenario 3 – Without Funding			Scenario 4 – Without Funding		
	Rates set with $38M Funding			Rates set with $0 Funding		
PI	[redacted]			[redacted]		
NPV	[redacted]			[redacted]		
Year / Class	**Residential**	**Commercial**	**Institutional**	**Residential**	**Commercial**	**Institutional**
[redacted]						

PART VIII – OEB APPROVALS

8.1 – OEB APPROVALS REQUIRED

In its Phase 1 Decision, the OEB approved the Municipalities' form of Municipal Franchise Agreement, the Project facilities and route, environmental matters and land matters. The following OEB approvals remain outstanding:

- an order under s. 90 of the OEB Act, granting leave to construct approximately 116.5 kilometres of low pressure MDPE (medium-density polyethylene) natural gas pipeline and associated facilities (i.e. the "Distribution System");

- an order or orders under s. 8 of the Municipal Franchises Act, granting Certificates of Public Convenience and Necessity that authorize the construction of the Distribution System in each of the five Municipalities;

- an order or orders under s. 36 of the OEB Act, pre-approving the cost consequences of the Utility's Gas Supply Plan and long-term CNG Services Agreement between the Utility and Certarus;

- an order granting the Utility an exemption from the requirement of complying with the OEB's Gas Distribution Access Rule, if necessary; and

- an order under s. 36 pf the OEB Act approving a proposed Rate Stability Period and proposed Utility distribution rates.

As discussed earlier in this Submission, the OEB has already reviewed and approved several leave to construct aspects of the Project related to need, environmental, routing and land matters and the form of Municipal Franchise Agreement. These aspects of the Project have not changed since the issuance of the Phase 1 Decision.

8.2 – TIMELINE OF OEB APPROVALS

The Municipalities construction schedule reflects a Phase 2 Application filing date of March 1, 2021 and receipt of OEB approval by July 21, 2021. This schedule assumes that the Municipalities receive a Section 36.2 Funding decision by mid-February 2021.

The Phase 2 Application will include requests for all outstanding and required OEB approvals, as listed in Subpart 8.1 above, with the exception of a Section 36 order approving distribution rates. The Utility will be unable to finalize proposed distribution rates until construction costs are firm, determined on the basis of fixed price contracts. Capital costs will be firmed up by the time a construction contractor is selected, after the completion of the survey, geotechnical and detailed design work. Accordingly, the Utility expects to be in a position to file a rate application shortly after the completion of the detailed design in July 2021.

PART IX – GLOSSARY

The following terms are defined in this Submission:

a) **Board** or **OEB**: the Ontario Energy Board.

b) **Certarus**: Certarus Ltd.

c) **CNG**: compressed natural gas.

d) **Colliers**: Colliers International.

e) **Cornerstone**: Cornerstone Engineering.

f) **Distribution System**: approximately 116.5 kilometres ("**km**") of low pressure MDPE (medium-density polyethylene) natural gas pipeline and associated facilities within the Municipalities.

g) **EB-2018-0239**: the OEB proceeding established to hear and determine the Phase 1 Application.

h) **Elenchus**: Elenchus Research Associates Inc.

i) **Environmental Reports**: reports detailing Stantec's findings with respect to the environmental and socio-economic impact of the Project, filed in OEB Proceeding No. EB-2018-0329.

j) **Filing Guidelines**: the prescribed guidelines setting out the content of submissions of project information from proponents of projects to expand access to natural gas distribution in OEB Proceeding No. EB-2019-0255.

k) **Firedog**: Firedog Communications.

l) **Gas Supply RFP**: the competitive request for proposals for the provision of natural gas to the Utility issued April 27, 2020.

m) **Municipalities**: the Town of Marathon, the Township of Manitouwadge, the Township of Schreiber, the Township of Terrace Bay and the Municipality of Wawa.

n) **Nipigon LNG**: Nipigon LNG Corporation.

o) **NOHF**: Northern Ontario Heritage Fund.

p) **OM&A**: operations, maintenance and administration.

q) **OPP**: Ontario Provincial Police.

r) **Phase 1 Application**: an application by the Municipalities for orders approving the Project, filed with the OEB on August 15, 2019.

s) **Phase 1 Decision**: the Board's Decision and Order dated February 27, 2020 in OEB Proceeding No. EB-2018-0329.

t) **Phase 2 Application**: the upcoming Phase 2 application in OEB Proceeding No. EB-2018-0329.

u) **PI**: Profitability Index.

v) **Preferred Route**: the route for the Project's distribution mains in the Municipalities, as identified by Stantec and approved by the OEB in the Phase 1 Decision.

w) **Project**: the Distribution System.

x) **Proponents**: together, the Municipalities and the Utility.

y) **Section 36.2 Funding**: rate-payer funded financial support for new natural gas distribution projects and expansions which would otherwise be uneconomical.

z) **Stantec**: Stantec Consulting Ltd.

aa) **Technical Advisory Committee**: A committee established by the Municipalities to advise and guide the Municipalities in respect of their Project-related endeavors in the period prior to the appointment of a Utility Board of Directors.

bb) **Utility**: Lakeshore Natural Gas Inc.

PART X – SCHEDULES

The following schedules are attached to this Submission:

Schedule A:	Terms of Reference of the Technical Advisory Committee
Schedule B:	*Curriculum vitae* of the members of the Technical Advisory Committee
Schedule C:	Description of experience and expertise of external technical consultants
Schedule D:	Pro forma financial statements for the Utility
Schedule E:	Audited financial statements for the Municipalities
Schedule F:	Indicative terms and conditions offered by TD Bank
Schedule G:	Map showing the locations of Municipalities to be served
Schedule H:	Map showing proximate non-Indigenous communities and on-reserve Indigenous communities
Schedule I:	Maps showing location of the preferred route
Schedule J:	Gas Supply RFP
Schedule K:	Project construction schedule
Schedule L:	Letters of support from agencies, institutions, business and industries
Schedule M:	Letters of support from Indigenous communities
Schedule N:	NOHF letter
Schedule O:	Form of certificates
Schedule P:	Approved form of municipal franchise agreement
Schedule Q:	PI Tables

DRAFT TERMS OF REFERENCE (FOR DISCUSSION WITH COUNSEL AND TAC MEMBERS)

Technical Advisory Committee for the North Shore Gas Project

Background

The Town of Marathon and the Townships of Manitouwadge, Schreiber, Terrace Bay and Wawa (together the "**Municipalities**") are collaborating to develop the North Shore Gas Project (the "**Project**"); an initiative to bring a safe and reliable supply of natural gas to residential, commercial, institutional and industrial customers in northwestern Ontario.

The Project will comprise discrete, stand-alone pipeline systems within each of the five Municipalities, each system physically unconnected with any of the other systems but each operated as part of a larger, single undertaking. The pipeline systems in each Municipality will be supplied by natural gas that is truck-delivered in the form of compressed natural gas (CNG), decompressed, injected into the distribution system, and re-delivered to utility customers.

Purpose

The principal role of the Technical Advisory Committee ("**TAC**") is to provide advice and guidance to the Municipalities in respect of the Project, in advance of the appointment of the Utility's Board of Directors and the operationalization of the Utility.

Role of the Technical Advisory Committee

Member of TAC shall provide [high-level] guidance to the Municipalities and its project team in connection with a wide array of matters pertaining to the development of the Project the establishment of the Utility, including:

- Regulatory applications;
- Regulatory compliance;
- Proposed partnership and financing arrangements;
- Proposed gas supply arrangements;
- Development of Utility policies and strategies;
- Utility marketing strategies and initiatives; and
- Utility staffing, start-up plans and strategies.

The TAC brings issues to the attention of the Project Team and the Municipalities that should, in the opinion of committee members, be addressed, or that enhance their opportunity to make well-informed decisions.

Technical Advisory Committee Membership

Individual TAC members shall have a minimum of 15 years of experience in one or more of the following areas: natural gas distribution and transmission; distribution system planning; gas supply and transportation; energy and utility regulation; infrastructure construction and construction management; financial analysis and management; gas marketing; business development; stakeholder consultation; and government relations.

Appointment

TAC members are recruited and appointed by the Municipalities.

Members are appointed in their own capacity, as individual experts and not as representatives of any particular business entity, firm or organization.

Chair

The Committee Membership assigns a Chair to facilitate discussions, coordinate the activities of the TAC and liaise directly with Project Manager/Team. The Chair also provides meeting process rules and other procedures as necessary to ensure TAC effectiveness.

Meetings

The TAC meets at the request of the Project Manager. Meetings are scheduled with regard to the availability of TAC members.

To the extent possible, the TAC will use digital means of communication and minimize the need for face-to-face meetings.

Remuneration

Individuals are reimbursed for such expenses incurred as a result of their acting on behalf of the TAC at any meeting they have been authorized to attend. Reimbursement of expenses is provided per the policy of the Town of Marathon *(Travel Expenses for Staff and Members of Council).*

Each Member of TAC is paid an honorarium for the time spent on TAC activities. Members are compensated at the rate of $200 per diem.

TAC members must keep records of all work done and invoice the Town of Marathon accordingly.

Decision-Making

As a non-voting advisory committee, the TAC provides guidance and makes recommendations to the Project Team for consideration only.

DRAFT TERMS OF REFERENCE (FOR DISCUSSION WITH COUNSEL AND TAC MEMBERS)

Technical Advisory Committee for the North Shore Gas Project

Background

The Town of Marathon and the Townships of Manitouwadge, Schreiber, Terrace Bay and Wawa (together the "**Municipalities**") are collaborating to develop the North Shore Gas Project (the "**Project**"); an initiative to bring a safe and reliable supply of natural gas to residential, commercial, institutional and industrial customers in northwestern Ontario.

The Project will comprise discrete, stand-alone pipeline systems within each of the five Municipalities, each system physically unconnected with any of the other systems but each operated as part of a larger, single undertaking. The pipeline systems in each Municipality will be supplied by natural gas that is truck-delivered in the form of compressed natural gas (CNG), decompressed, injected into the distribution system, and re-delivered to utility customers.

Purpose

The principal role of the Technical Advisory Committee ("**TAC**") is to provide advice and guidance to the Municipalities in respect of the Project, in advance of the appointment of the Utility's Board of Directors and the operationalization of the Utility.

Role of the Technical Advisory Committee

Member of TAC shall provide [high-level] guidance to the Municipalities and its project team in connection with a wide array of matters pertaining to the development of the Project the establishment of the Utility, including:

- Regulatory applications;
- Regulatory compliance;
- Proposed partnership and financing arrangements;
- Proposed gas supply arrangements;
- Development of Utility policies and strategies;
- Utility marketing strategies and initiatives; and
- Utility staffing, start-up plans and strategies.

The TAC brings issues to the attention of the Project Team and the Municipalities that should, in the opinion of committee members, be addressed, or that enhance their opportunity to make well-informed decisions.

Technical Advisory Committee Membership

Individual TAC members shall have a minimum of 15 years of experience in one or more of the following areas: natural gas distribution and transmission; distribution system planning; gas supply and transportation; energy and utility regulation; infrastructure construction and construction management; financial analysis and management; gas marketing; business development; stakeholder consultation; and government relations.

Appointment

TAC members are recruited and appointed by the Municipalities.

Members are appointed in their own capacity, as individual experts and not as representatives of any particular business entity, firm or organization.

Chair

The Committee Membership assigns a Chair to facilitate discussions, coordinate the activities of the TAC and liaise directly with Project Manager/Team. The Chair also provides meeting process rules and other procedures as necessary to ensure TAC effectiveness.

Meetings

The TAC meets at the request of the Project Manager. Meetings are scheduled with regard to the availability of TAC members.

To the extent possible, the TAC will use digital means of communication and minimize the need for face-to-face meetings.

Remuneration

Individuals are reimbursed for such expenses incurred as a result of their acting on behalf of the TAC at any meeting they have been authorized to attend. Reimbursement of expenses is provided per the policy of the Town of Marathon *(Travel Expenses for Staff and Members of Council).*

Each Member of TAC is paid an honorarium for the time spent on TAC activities. Members are compensated at the rate of $200 per diem.

TAC members must keep records of all work done and invoice the Town of Marathon accordingly.

Decision-Making

As a non-voting advisory committee, the TAC provides guidance and makes recommendations to the Project Team for consideration only.

Glenn W Beaumont, P.Eng
Synopsis of Career and Community Involvement

Career:

1985-2016 Consumers Gas/Enbridge Gas Distribution

- 2013-2016 -President, Enbridge Gas Distribution
  -Member of Enbridge Inc. Executive Leadership Team
  -Chair, Enbridge St. Lawrence Gas
  -Chair, Gazifere
  -Chair, Enbridge Gas New Brunswick

- 2016- Present -Member of KTI Ltd Advisory Board
- 2019-Present -Member of JANA Technology Advisory Board

Board participation on Canadian Gas Association and Ontario Energy Association

Recognized by the Ontario Energy Association with a Lifetime Achievement Award in 2016 upon retirement

Community:

2015	-Light Up the World solar installation field project in El Dorado, Peru
2013- 2017	-Member of Mackenzie Health Foundation Board of Directors 2014-2016 Chair
2017- Present	-Member of MacKenzie Health Board of Trustees
2015	- United Way of Greater Toronto Campaign Cabinet and Chair of Manufacturing and Services Division
2011-2016	-Enbridge Ride to Conquer Cancer Participant 2011-2013 Enbridge Team Captain 2015 Honorary Ride Vice Chair

Have also participated in Habitat for Humanity Builds and Junior Achievement programs

Awarded the Queen’s Diamond Jubilee for Community activities

Dave Charleson

[redacted] • linkedin.com/in/dave-charleson

A transformative executive leader with a focus on the customer and on driving changes that enhance value through improving the customer experience, while engaging employees. A diverse background that leverages sound business acumen to achieve results through collaboration, employee engagement, and team building. An inspiring and incisive communicator with a history of cultivating relationships with integrity and credibility. Thrives in complex environments that require strategic analysis and vision to achieve desired outcomes.

Leadership • Strategy • Customer Experience • Human Resources
Financial Management • Operations • General Management

PROFESSIONAL EXPERIENCE

Enbridge Gas Distribution **1988 – 2019**

Vice President, Energy Supply & Customer Care (2016 – 2019)

Responsible for leading and directing the Customer Care, Gas Supply, Gas Control, Gas Storage and Business Process & Performance functions in the utility, representing $120 million in operating spend to support Enbridge's 2.2 million customers in Ontario and over $2 Billion per year in gas purchases.

- Led a Customer Experience program that deployed technology and enhanced processes to reduce customer care costs by over $7 million per year, while improving overall customer satisfaction (NPS increase of 9)
- Accountable for over $70 million in annual contracts supporting Customer Care outsourcing.
- Evolved the relationship with an external outsource customer care service provider into a collaborative relationship that benefitted both organizations.
- Successfully negotiated a 4-party agreement to help stabilize natural gas transportation costs.
- Successful advancing of a $40 million project to improve the safety and reliability for gas storage operations.
- Leadership of 4 direct reports, 180 staff located in Ontario and Alberta.

Sr. Director, Human Resources & Facilities (2012 – 2015)

Member of the Executive Team accountable for ensuring strong Human Resources support and Facilities Services to the over 2,000 Enbridge Gas Distribution employees across Canada. Earned additional accountability for the Energy Supply functions as part of a transition to the Vice President Energy Supply & Customer Care role.

- Guided two major organization transformation initiatives, each resulting in a 5% work force reduction. Accomplished both projects without compromising the safe and reliable delivery of services to the utility's customers. The second transformation included a significant restructuring of the executive team.
- Championed an increased focus on the importance of leadership within the organization, that included the roll-out of a Leadership Development program that provided new training and tools to support leaders at all levels.
- Led a refresh of existing facilities that improved the working environment for employees, while also increasing capacity in owned facilities that allowed the elimination of over $1 million per year of lease costs.
- Leadership of 3 direct reports and 45 staff, in addition to providing local leadership to an extended team of over 30 HR professionals.

General Manager, Enbridge Gas New Brunswick (2007 – 2012)

Accountable for providing overall strategic and policy direction for the New Brunswick natural gas distribution utility that serves 10 communities and approximately 12,000 customers and for overseeing its ongoing development and operations. Was the lead in stakeholder relations with both elected and appointed government officials, regulatory bodies and media, working closely with local independent members of the Board of Directors.

- Achieved customer growth of >40% over 5 years, including the expansion to 2 new communities.
- Successfully advanced and defended the company position in nearly 20 regulatory proceedings
- Responded strategically to market challenges on two occasions by streamlining the organization and achieving a 10% reduction in FTEs while continuing to deliver on operational and customer service goals.
- Led a team of 5 direct reports and 100 staff dispersed between 3 communities across southern New Brunswick.

Director, Energy Policy and Analysis (2003 – 2007)

Responsible for establishing the gas supply strategy to ensure long term stability of the portfolio and for ensuring the effective acquisition and delivery of over $2 billion of natural gas annually to meet customer needs during a period of great market volatility and generating over $20 million per year in incremental revenue by optimizing the usage of assets used to manage the gas supply.

- Company expert witness in several regulatory proceedings that established the manner in which the natural gas market would operate in Ontario, with the outcomes generally being favourable to the company.
- Represented the natural gas industry with the IESO to ensure technical standards being developed to support the integration of natural gas fired electricity generation would align with the manner in which the natural gas markets work.
- As company spokesperson, dealt with media and editorial boards regarding significant increases in natural gas prices.
- Spoke at several conferences and seminars on natural gas storage and the role it plays in managing price volatility.

Manager, Strategic & Key Accounts (2001 – 2003)

Accountable for the effective management of relationships and contracts with over 3,000 of Enbridge Gas Distribution's largest customers and Agents, Brokers and Marketers that supplied natural gas to over 600,000 customers.

- Led the design, development and implementation of a system that enabled electronic execution of contracts with customers and facilitated the nomination and balancing of all natural gas deliveries being made on behalf of customers. This system remains in place today.
- Successfully defended the recovery of the $18 million system cost at the Ontario Energy Board.

Manager, Accounting Systems (1997 – 2001)

Responsible for the effective operations of the accounts payable, inventory accounting, payroll and plant systems departments.

- Led the work to establish the financial structure and operating budgets for 3 new organizations that resulted from the division of the utility into a pure utility operation, a natural gas services organization and a shared services provider. Defined and created service level agreements to govern the sharing of services between the 3 organizations. The format and structure of these agreements has remained the foundation for service level agreements within Enbridge almost 20 years later.
- Business Sponsor for the successful implementation of a new Inventory Accounting system and for a project to examine and review the existing Plant Accounting system.

Manager, Volume and O&M Budgets (1996 – 1997)

- Oversaw the successful preparation of all regulatory materials and testimony at the Ontario Energy Board (OEB) to receive recovery of all costs through regulated rates.

Positions of Progressive Responsibility, Information Services (1988 – 1995)

- Project Manager for the on-time and on-budget development and implementation of client-server based general ledger and online budgeting system.
- Developed, implemented and supported senior leaders using the organization's first online budget system.

EDUCATION

Queen's Executive Program, Queen's University, Kingston, ON
Honours Bachelor of Math (Coop), University of Waterloo, Waterloo, ON

Board and Other Experience

- Director, Newmarket Tay Power Distribution Limited (2017 – Present)
  (Board Vice Chair (2020-), Chair of Governance/HR Committee (2020-), Member of Audit/Finance Committee (2017-2020))
- Technical Advisor – North Shore LNG Project (2019 – present)
- Director, Junior Achievement of Central Ontario (2014 – 2017)
  (Member of Operations and Audit Committees)
- Director, Habitat for Humanity Fredericton Area Inc. (2009 – 2012)
  (Board Chair, 2011 – 2012)
- Director, Unite Way / Centraide Central NB (2007 – 2012)
- Director, Atlantica Centre for Energy (2007 – 2011)
- Natural Gas Sector Representative, Technical Panel, Independent Electricity System Operator (IESO) (2006 – 2007)
- Director, Newmarket Hydro Limited (2005 – 2007)

CURRICULUM VITAE
OF
MARIKA HARE

A high performing executive with over 35 years of public and private sector experience and extensive knowledge of energy sector regulatory and legislative frameworks. Over ten years of experience in corporate governance, serving on both for-profit and not-for-profit Boards.

[redacted]

Employment History

Ontario Energy Board
Board Member **- April 2010 to June 2015**

As a Board Member, I was involved in a number of important policy issues and adjudicative proceedings, including setting payment amounts for Ontario Power Generation, rate-setting for HydroOne, Toronto Hydro, Horizon and Hydro Ottawa, Union Gas, the hearing of compliance cases against electricity retailers and the approval of pipeline leave-to-construct projects. As a case Panel Member, it was my responsibility to ensure that decisions were fact-based, balanced and reasonable. I presided over a broad range of cases many involving significant financial, policy and infrastructure decisions impacting consumers, businesses and energy service providers.

Ontario Energy Board
Managing Director, Applications and Regulatory Audit (Nov. 2008 –April 2010)
Managing Director, Regulatory Policy Development (Feb. 2006 –Nov. 2008)

As Member of the Board's Executive Management Team, I had responsibility for leading a staff of over 50 involved in reviewing all applications filed with the Board for the setting of rates, distributor amalgamations and acquisitions, review of conservation programs and policy development, issuance of market participant licenses and auditing of utilities.

Both Board staff member positions involved extensive consultative processes with applicants and stakeholders in order to understand diverse viewpoints and provide policy advice. Stakeholders included the Consumers Council of Canada, Vulnerable Energy Consumers Coalition, Industrial Gas Users Association, Canadian Manufacturers and Exporters, Energy Probe, and the Schools Energy Coalition. My responsibilities also required close liaison with related government agencies such as the Ministry of Energy

and Infrastructure, the Ontario Power Authority and the Independent Electricity System Operator.

Enbridge Gas Distribution
General Manager, Central Region (2005 – 2006)

As a member of the Senior Management Team, I had responsibility for all operations related to the safe and reliable distribution of natural gas in the company's fastest growing region. This included leadership of a supervisory and unionized staff of 240 involved in service, maintenance and construction work to ensure the integrity of the system and customer satisfaction. I was responsible for championing safety and ensuring training and adherence to all operating policies and procedures. I was also responsible for the development of ongoing relationships with contractors/service partners and municipal representatives.

Enbridge Gas Distribution
Director, Regulatory Affairs (2001 –2005)

The primary deliverables were to lead regulatory policy development within the company and develop and implement the utility's regulatory strategies with respect to all proceedings, government submissions and industry positions. I was responsible for maintaining positive relationships with regulators, provincial government representatives and stakeholder groups. While in this position, I was a member of the Board of Directors of St. Lawrence Gas, an Enbridge subsidiary.

Enbridge Inc.
Director, Business Development (1998 – 2001)

I was a member of a hand-selected team responsible for the Company's electricity utility acquisition program. Accountabilities included the identification and evaluation of investment opportunities; preparation of detailed proposal documents for acquisition and negotiation of transactions. The "deal-making" side of the transactions required knowledge of the electricity restructuring process, government policies and OEB requirements with respect to licensing and ratemaking.

Enbridge Gas Distribution
Director, Strategic Planning and Business Development (1997 – 1998)

Over a two year period, I led the annual and multi-year strategic planning process for the Company and was responsible for identifying business development opportunities, including increasing customer and shareholder value through the introduction of new services and investments.

Enbridge Gas Distribution
Director, Environmental Affairs (1990 – 1997)

I was recruited into a newly created senior role to champion the importance of environmental stewardship within the Company. This involved leadership, development and implementation of environmental policies, practices and programs involving: communication of environmental liabilities and risks to the Board of Directors and senior management; development/execution of government and regulatory affairs strategy; and Company representative on provincial and federal industry/government committees and task groups. During my tenure as Director of Environmental Affairs, Enbridge was presented with a number of awards including the Financial Post Gold Award for an environmental management system and the Gas Association Environmental Award.

TransCanada Pipelines Limited
1980 – 1990:

Over a 10 year period, I held progressively more senior roles in the company, culminating in the position of Manager, Right-of-Way and Environment. I was responsible for the development and implementation of company environmental policies, procedures, and programs; and policy formulation relating to pipeline construction, land and damage compensation, land acquisition, and landowner notification. I acted as company spokesperson at public meetings and before the National Energy Board in support of pipeline and compressor station development projects.

Board Work

- Board Member of the Canadian Energy Research Institute, a not-for-profit organization involved in providing independent and fact based research on the economic and environmental issues associated with energy (2018 – present).
- Board Member of Guelph Hydro Electricity Systems Inc., (GHESI) as well as a member of the Finance and Audit Committee and Governance Committee of GHESI (2016 – 2018).
- Board Member of MicroSkills, a not-for-profit community based organization, (2005 - 2014)
- Board Member of the Peterborough Utilities Holding Company and Peterborough Distribution, (2000 - 2005).

Industry and Community Activities

- Volunteer teaching english as a second language at the Gulf Coast Literacy Council, a not-for-profit community organization in Florida (2018 – present)
- Chair of the Ontario Natural Gas Association Energy Market Committee (1997 – 1999).
- Chair of the Canadian Gas Association Environmental Standing Committee (1995 – 1997).

Education

1992	Master of Business Administration, University of Toronto
1979	Master of Environmental Studies, York University
1979	Bachelor of Science (Honours), University of Toronto **.**

Adam H. Brown CPA, CA, MHA

[redacted]

Meeting stakeholder needs through the provision of positive, goal orientated, self- motivated and analytical leadership

EDUCATION

Masters of Healthcare Administration	● University of Minnesota, 2010
Chartered Professsional Accountant	● Institute of Chartered Accountants, 1996
Honours Bachelor of Arts, Economics	● Wilfrid Laurier University, 1993

EMPLOYMENT PROFILE

Chief Executive Officer
North of Superior Healthcare Group (NOSH) Marathon, ON 2013 - present

Reporting to the Board of Directors, leads the operations of two primary care hospitals, a long-term care home, seniors supportive living facility and several community-based programs. The Group serves a rural district in Northern Ontario encompassing three municipalities and three First Nations spread across 200 km.

- Led the development and continuous renewal of strategic planning, communication and engagement processes
- Implemented a structured, organization wide training system focused on customer service, patient safety and quality improvement
- Spearheaded implementation of integration activities between Wilson Memorial General Hospital and The McCausland Hospital, culminating in the merger of both corporations
- Established formalized, successful physician recruitment and retention efforts
- Championed a multistage LHIN wide integration planning and implementation effort
- Envisioned and implemented a regional small hospital sonography training program
- Led the planning, financing, procurement, construction and ultimate operation of a new 36 apartment, seniors supportive living facility
- Directed the successful NOSH response to the COVID-19 pandemic

Chief Operating Officer
North of Superior Healthcare Group Marathon, ON 2010 - 2013

Member of the Senior Administration team, directly responsible for all financial, health records and support services for two hospital corporations in Marathon and Terrace Bay.

- Led financing and construction activities related to the development of the 22 bed Wilkes Terrace Long Term Care home in Terrace Bay

- Initiated negotiations with the NWLHIN, ultimately resulting in one-time and recurring funding which stabilized operating margins
- Re-organized support services, resulting in improved training, best practice implementation, success sharing and cost containment
- Supported initial integration efforts between Wilson Memorial General Hospital and The McCausland Hospital, concluding with the signing of a Joint Venture Agreement
- Provided regional leadership on employee negotiations, joint supply chain development, ehealth initiatives and integrated audit

Director of Finance
Wilson Memorial General Hospital Marathon, ON 2006 – 2010
Geraldton District Hospital Geraldton, ON 2006 – 2013

Member of the Senior Administration teams, directly responsible for all financial and health records services for two hospital corporations in Marathon and Geraldton.

- Developed standardized and timely financial recording and reporting processes to improve the decision making capacity of the corporations
- Implemented cross training of staff across the corporations, improving employee skills and satisfaction and introducing emergency staff backup

Finance Manager
Neenah Paper Company Terrace Bay, ON 2005 – 2006

Member of the Senior Administration teams, directly responsible for all financial services for a large, market pulp operation.

- Provided support and analysis, key to the sale of this underperforming asset to an integrated, regional forest products company
- Implemented processes to ensure compliance with newly introduced Sarbanes-Oxley legislation
- Reduced finance staffing by 30% with no corresponding decrease in quality or quantity of financial services

Financial Analyst **Corporate Development**
Manager of Finance **Temiscaming High Yield Pulp**
Team Leader Finance **Marathon Pulp**
Tembec Inc. Marathon, ON; Temiscaming, PQ 1999 – 2005

Member of the Administration teams, responsible for a variety of progressively more responsible financial and business development functions at operating pulp mills and at the Corporate Office

Senior Mine Accountant
Mine Accountant
Inmet Mining Corporation Schreiber (Winston Lake), ON 1996 – 1999

Member of the Administration team, responsible for a variety of progressively more responsible financial and product delivery functions at a zinc/copper mine.

Senior Accountant
Staff Accountant
KPMG Chartered Accountants Sault Ste. Marie; Thunder Bay, ON 1994 – 1996

Member of the assurance team, responsible for the completion of compilations, reviews audits and tax returns of small to medium size private and public corporations and private individuals.

SKILLS OVERVIEW

- Leadership
- Empowerment
- Vision
- Goal-oriented
- Flexibility
- Facilitation
- Communication
- Respect
- Self-reflection
- Commitment
- Integration
- Analysis
- Ethics
- Organization
- Experience

MEMBERSHIPS AND VOLUNTEERING

- Chair / Vice Chair – North of Superior Counselling Programs 2015 – current
- Vice Chair – Nawiinginokiima Forestry Management Corporation 2020 - present
- Chair – Northwest Health Network 2014 - 2019
- Chair – NWLHIN Integration Scenario Planning Committee 2014 – 2018
- Member – NWLHIN E-Health Advisory Committee
- Member – NWLHIN Integration Advisory Committee
- Chair – Marathon Economic Development Corporation 2010 – 2013
- Various executive, coaching and refereeing positions – Marathon Minor Hockey, Marathon Oldtimers Hockey, Temiscaming Minor Hockey, Temiscaming Minor Soccer

Colliers
Project Leaders

GORD WICKHAM

P.Eng, PQS

Vice President, Northern Ontario

EXPERTISE

Leadership, Project Management, Construction Management, Engineering, Value Engineering

QUALIFICATIONS

- Bachelor of Engineering, Lakehead University, 1989
- Diploma Civil Engineering Technology, Lakehead University, 1987
- Professional Engineer of Ontario
- Association of Professional Engineers and Geoscientists, Manitoba
- Association of Professional Engineers and Geoscientists, British Columbia
- Canadian Institute of Quantity Surveyors
- Ontario Institute of Quantity Surveyors

PROFILE

Gord Wickham is the Vice-President of Northern Ontario and Senior Project Manager in the Thunder Bay office. He has more than 27 years of experience in the professional consulting industry with a special focus on work with municipalities and First Nation projects. Throughout his career, Gord has developed a reputation for offering a strategic value-added approach to various large infrastructure projects within First Nation communities. Gord has been involved in a variety of project roles throughout his career, including feasibility analysis, business plan development, design, project management, cost control, and contract administration. Gord has a broad background in large commercial and institutional projects, including water treatment plants, schools, community centres, health centres, and a full range of environmental remediation and community infrastructure projects.

In his previous work, Gord owned his own consulting engineering and project management firm where he built on his previous work for various consulting engineering firms where he served in senior leadership roles. Gord's focus is on building and leading the required team to successfully deliver value-added solutions to project challenges.

As Vice President, Northern Ontario for Colliers Project Leaders, Gord is responsible for ensuring that our resources are efficiently applied to all projects undertaken in the region and that all projects are effectively delivered. Gord also believes in community involvement and has served on numerous Boards and Committees in the Region. Currently, he is a Board Member of the Thunder Bay Regional Health Science Centre and President of the Fort William Golf and Country Club.

GORD WICKHAM
Vice President, Northern Ontario

PROJECTS

Matawa Education and Care Centre, Matawa First Nations Management, Thunder Bay, ON

2016 – Present, Project Value $18 million

The Matawa Education and Care Centre started with the completion of a Feasibility Study and eventually formed into the development of a holistic education and care centre to serve the First Nation youth who travel from the Matawa communities to attend school in Thunder Bay. Working with a dedicated team and internal staff at Matawa, Gord developed a core program to meet both the education and wellness needs of the students. The City of Thunder Bay participated in the granting of a former long-term care facility. The scope includes the extensive renovation of an existing 80,000 sq. ft. facility to accommodate both the education and accommodation programming as well as counselling and cultural programming for the students.

Slate Falls Water Treatment Plant & Distribution System Project, Slate Falls First Nation, Slate Falls, ON

2013 – Present, Project Value: $11.5 million

Gord served as the Project Manager for the new Slate Falls First Nation Water Treatment Plant and Water Distribution Project. The scope of work included a new WTP and decommissioning of the existing local water treatment plants and pumphouses. The scope also included significant community water distribution infrastructure and integration with the existing system. The role extended from preliminary approval, through to design, construction, and commissioning. The Project Management role included procurement, contract management, project oversight, and reporting.

Constance Lake Water Treatment Plant Project, Constance Lake First Nation, Constance Lake, ON

2012 – 2016, Project Value $6.5 million

Gord served as the Project Manager for the new Constance Lake Water Treatment Plant. The scope of work included a new WTP and decommissioning of an existing water treatment plant. The role extended from preliminary approval, through to design, construction, and commissioning. The Project Management role included procurement, contract management, project oversight, and reporting.

Kasabonika Electrical Upgrade, Kasabonika Lake First Nation, Kasabonika Lake, ON

2007 – 2016, Project Value $12 million

Gord served as the Project Manager for the new Kasabonika Lake Electrical Upgrade project. The scope of work included an expansion and upgrade to the existing Diesel Generation facility. The project required close communication and coordination with the First Nation, Utility, and INAC. The role extended from the feasibility study and preliminary approval through to design, construction, and plant commissioning. The Project Management role included procurement, contract management, project oversight and reporting.

Webequie Servicing Project, Webequie First Nation

2001 – 2012, Project Value $12.8 million

Gord served as the Project Manager for the Servicing Upgrade for the Webequie First Nation. This was a large and complex multi-component infrastructure project that was further complicated when contaminated soils were encountered, requiring an extensive remediation project. The scope of work included a new Sanitary Treatment Plant, expansion and upgrades the Water Treatment Plant, and community distribution piping. The role extended from the feasibility study, preliminary approval through to design, construction, and plant commissioning. The Project Management role included procurement, contract management, project oversight, and reporting.

Cat Lake School Project, Cat Lake First Nation, Cat Lake, ON

2011 – 2014, Project Value $15.5 million

Gord served as the Project Manager for the new Cat Lake School project. The scope of work included a new JK to Grade 8 School with a total building area of 2,249 m2. The project included a new greenfield site development, site landscaping, and road development. The role extended from the feasibility study and preliminary approval through to design, construction, and commissioning. The Project Management role included procurement, contract management, project oversight, and reporting.

GORD WICKHAM
Vice President, Northern Ontario

Frenchman's Head School Project, Lac Seul First Nation

2009 – 2012, Project Value $7.6 million

Gord served as the Project Manager for the new school located in the Frenchman's Head community on the Lac Seul First Nation. The scope of work included a new JK to Grade 8 School with a total building area of 1,545 m2 with an additional 498 m2 of recreational program space directed funded by the First Nation. The role extended from the feasibility study and preliminary approval through to design, construction, and commissioning. The Project Management role included procurement, contract management, project oversight, and reporting.

Kasabonika Health Facility, Kasabonika Lake First Nation

2015 – Present, Project Value $12.8 million

Gord serves as the Prime Consultant for this project, supported by his design and contract administration team and various design specialities. The scope of the project is the renovation and addition to the existing Nursing Station in Kasabonika Lake, including the feasibility stage, program development, detailed design, tender phase coordination, project approval phase, and contract administration. The project was challenging as the time available for the design was very tight to accommodate winter road delivery. Design work is complete and the project is currently under construction, scheduled for completion in September 2018.

Wunnumin Lake Health Facility, Kasabonika Lake First Nation

2017 – Present, Project Value: $10 million

Gord serves as the Prime Design Consultant for this project, supported by his design and contract administration team and various design specialities. The scope of the project is the renovation and addition to the existing Nursing Station in Wunnumin Lake, including the feasibility stage, program development, detailed design, tender phase coordination, project approval phase, and contract administration.

Wapekeka Nursing Station Upgrade, Wapekeka First Nation

2015 – Present, Project Value: $1.8 million

Gord served as the Prime Consultant for this project, supported by his design and contract administration team and various design specialities. The scope of the project is the renovation of the existing Nursing Station and accommodation complex in the community, including the feasibility stage, program development, detailed design, tender phase coordination, project approval phase, and contract administration. The project was challenging as the operation of the nursing station was required throughout the work, requiring extensive consultation with the staff and management of the facility.

Kitchenuhmaykoosib Inninuwug Nursing Station Project, Kitchenuhmaykoosib Inninuwug First Nation, Big Trout Lake, ON

2015 – Present, Project Value: $16 million

Gord serves as the Project Manager for the new Nursing Station in the Kitchenuhmaykoosib Inninuwug First Nation. The scope included the renovation and addition to the existing Nursing Station as well as the upgrades to the fuel and infrastructure system. The project was challenging, as the need to mobilize via winter road meant an expedited design and procurement process. Design work is complete, and the project is currently under construction, scheduled for completion in September 2018.

Neskantaga First Nation Remediation Project, Neskantaga First Nation, Lansdowne House, ON

2016 – Present, Project Value: $8 million

Gord serves as the Project Manager for the comprehensive site remediation project for the Neskantaga First Nation. The scope includes a combination of in-situ and ex-situ remediation for a significant volume of impacted soils throughout the current and former community sites. The project was tendered in the fall of 2017 with remediation commencing in 2018.

Webequie First Nation Airport and Commercial Sites Redevelopment, Webequie First Nation
2015 – 2017, Project Value: $1 million (study phase)

Gord served as the Project Manager for a comprehensive feasibility study, engineering design assessment, and business plan development for the redevelopment of the existing airport in the Webequie First Nation. Among other reasons, the main driver behind the project was to ensure that the valuable community asset was ready to accommodate the potential associated with various mining projects in the region. The project involved numerous community engagements and stakeholder relationship management.

EMPLOYMENT HISTORY

Vice President – Northern Ontario, Colliers Project Leaders
2017 - Present

President, Wickham Consulting
2006 – 2017

District Office Manager & Community Infrastructure Leader, UMA Engineering Ltd.
2004 – 2006

Manager, Business Development & Engineering, Fort William First Nation Development Corp.
2003 – 2004

Managing Director, V.B. Cook Engineering/Wolf Consulting
2000 – 2003

Thunder Bay Office Manager, Anishinabek Engineering
1999 – 2000

Manager of Engineering Service, IFNA Engineers Ltd.
1993 – 1999

Project Manager/Project Engineer, Keewatin-Aski Ltd.
1989 – 1993

RESUME

Stephanie Natalie Ash
Business Leader, Project Manager & Communications Strategist

Tel: (807) 472-5276
email: stephanie@firedogpr.com

PROFESSIONAL PROFILE

Stephanie has over twenty years' experience in business development, organizational leadership, project management, crisis communications and stakeholder relations. She is the Founder and CEO of Firedog Communications, an award-winning corporate communications agency in Thunder Bay, Ontario.

In 2019, Stephanie was selected as the Project Manager for the North Shore Gas Project to bring a virtual natural gas pipeline to five municipalities in Northwestern Ontario. In 2015, she was invited to lead the design and development of Bombardier Transportation Canada's new Organizational Learning & Capability organization which gave her the opportunity to collaborate and roll out a new training school with global offices in Berlin, Germany; London, England; Plattsburgh, New York and Shagun, Mexico, as well as Montreal, Toronto, Kingston and Thunder Bay, Canada. In 2014, she was appointed the Crisis Communications lead for Bombardier Transportation Canada in its negotiations and 14-week labour dispute with Unifor National.

Stephanie came to Canada from the UK in 2001 and was hailed as an 'innovative and influential trailblazer' by Canadian Marketing Magazine. In 2005, she was named as one of Canada's Top Ten in the publication's Marketing One's To Watch Awards. In 2014, she was a Top 3 finalist for Canadian Woman Entrepreneur of the Year. In 2017, she was a top 3 finalist by Canadian Association of Marketing Professionals (CAMP) for Best Integrated Marketing Campaign of the Year.

In Northern Ontario, Stephanie has won numerous awards including Northern Ontario Business Young Entrepreneur of the Year, Thunder Bay Chamber of Commerce Business Award, Northwestern Ontario Visionary Awards Top 20 Under 40, Northern Ontario Young Influential Woman of the Year, PARO Centre Top 20 Enterprising Women in 20 Years and was most recently nominated for Thunder Bay Business Person of the Year 2020.

AREAS OF EXPERTISE

- Project Management
- Business & Organizational Development
- Board Governance
- Corporate Communications Strategy
- Crisis Communications & Risk Management
- Stakeholder Relations & Partnership Development
- Public Relations & Media Affairs
- Brand, Marketing & Digital Media

RESUME

Stephanie Natalie Ash
Business Leader, Project Manager & Communications Strategist

Tel: (807) 472-5276
email: stephanie@firedogpr.com

PROFESSIONAL EXPERIENCE

Project Manager: 2019 – Present
North Shore Gas Project

Stephanie is the project lead acting on behalf of the Municipalities of Marathon, Terrace Bay, Schreiber, Wawa and Manitouwadge for the development of a natural gas pipeline for residential, commercial, institutional and industrial customers in Northern Ontario. Her responsibilities include oversight of the project consulting team, Indigenous and community relations, communications, project financing, partnership development and ensuring that all of the required technical studies, regulatory applications and legal requirements of the project are achieved on schedule.

President & Chief Executive Officer: 2003 - Present
Firedog Communications Inc.

Stephanie leads her team to deliver strategy, brand, corporate communications, crisis management, marketing, public relations, graphic design, multimedia, web and digital solutions for hundreds of clients across diverse sectors, from private start-ups, not-for profit agencies and Government to Indigenous communities and multinationals. Her portfolio of clients includes:

- NextBridge – Valard (East-West Tie Transmission Project)
- BioPower Sustainable Energy Corp (Pellet Manufacturing Plant & Value-Added Wood Products)
- Webequie Supply Corridor (Mining Road to Ring of Fire)
- Supercom Industries (Indigenous Procurement & Employment for Transmission Project)
- Thunder Bay International Airport Authority (Airport & Transportation Services)
- Bombardier Transportation Canada (Train Manufacturing)
- Thunder Bay Economic Development Corporation (Investment Attraction & Business Development)
- Resolute Forest Products (Paper Products Manufacturing)
- CRIBE – Centre for Research & Innovation in the Bioeconomy (Biomass Solutions)
- Ring of Fire, Matawa First Nations (Mining Development)
- SYNERGY North – (Thunder Bay Hydroelectricity)
- GRIDLINK (Electrical Utility Infrastructure)
- Watay Power (The Wataynikaneyap Transmission Project)
- Port of Thunder Bay (Port, Cargo and Shipping Services)
- Northern Ontario Angels (Investor-Entrepreneur Connections)

Stephanie has also led numerous capital fundraising projects including $12.5M for the George Jeffrey Children's Centre and $14M for a Seniors Living Complex.

OTHER PROFESSIONAL EXPERIENCE

Senior Manager, Organizational Learning and Capability 2015 – 2017
Bombardier Transportation Canada

Corporate Communications & Brand Manager 2011 - 2015
Bombardier Transportation – Thunder Bay, ON

Professor, Corporate Communications 2005 - 2007
Confederation College, Thunder Bay, ON

Investor/Partner 2005 - 2007
Officially Rugged Entertainment, Thunder Bay, ON

Public Relations Officer 2000 - 2001
Kumari Communications, Sydney, Australia

Public Relations Manager 1997 – 2000
The SPA Way, London, England

Translator-Press Office 1998
FIFA World Cup 1998, Marseille Site, France

French Teacher 1997 – 1998
Lycée Marie Curie, Marseille, France

RESUME

Stephanie Natalie Ash
Business Leader, Project Manager & Communications Strategist

Tel: (807) 472-5276
email: stephanie@firedogpr.com

EDUCATION

- International APR Candidate
- Diploma in Journalism, London School of Journalism, UK
- Hons B.A., French, University of Hull, UK
- Hons B.A., German, University of Hull, UK
- Diploma in Business French, Paris School of Business & Industry, France
- A Levels, Greenhead College, Huddersfield, UK
- Certificate Crisis Communications, Public Relations Society of America
- Social Media, Public Relations Society of America

AWARDS & ACHIEVEMENTS

2019 • Citizen of Exceptional Achievement Award, City of Thunder Bay
2017 • Canadian Association of Marketing Professionals, Best Integrated Marketing Campaign Finalist
2014 • PARO Top 20 Business Woman in 20 Years Winner
2014 • RBC Canadian Woman Entrepreneur of the Year, Regional Winner
2014 • Thunder Bay Chamber of Commerce, Business Excellence Award
2012 • PARO Enterprising Women Award, Established Business
2012 • NOVA Top 20 Under 40 Winner
2011 • RBC Innovative Project of the Year Award
2010 • Northwestern Ontario Aboriginal Youth Achievement, Career Guidance Award
2006 • Northern Ontario Business Young Entrepreneur of the Year
2005 • Canadian Marketing Magazine Top 10 One's to Watch
2004 • Influential Women Young Entrepreneur of the Year

BOARD & COMMITTEE MEMBERSHIPS

2014 - 2020 • Vice-President/Board Director, Northwestern Ontario Innovation Centre
2011 – 2019 • Board Director, Ontario Association of Children's Rehabilitation Services
2008 - 2018 • Immigration Northwestern Ontario Committee
2010 – 2018 • President, Chairperson & Board Director, George Jeffrey Children's Treatment Centre
2015 - 2017 • Board Director, Thunder Bay Community Foundation
2006 – 2017 • Secretary/Board Director, Northern Ontario Angels
2015 - 2017 • Committee, United Way of Thunder Bay, Corporate Team
2008 – 2012 • Board Director, Waterfront District Business Improvement Area
2009 – 2010 • Board Director, Papasay Management Corporation
2006 – 2010 • Board Director, Lake Superior Interpretive Centre
2006 - 2008 • Confederation College Corporate Communications Advisory Committee

Helen T. Newland
Partner

Partner

Toronto
D +1 416 863 4471
M +1 416 505 3015
helen.newland@dentons.com

Overview

Helen practises in the firm's Energy law group in Toronto. She is recognized as a leading energy practitioner with particular expertise in energy project development and utility regulation. She has over 25 years of experience as an energy lawyer in both the public and private sectors, including four years as counsel to the National Energy Board.

Helen has acted as counsel to some of North America's leading developers of energy projects, including Enbridge Inc., MidAmerican Transmission, Renewable Energy Systems and Capital Power, in connection with the development, acquisition and disposition of power generation and electricity transmission and distribution projects. She has also acted for large Canadian and US financial institutions in connection with the provision of credit facilities to energy projects. Helen has specific expertise in the areas of energy project agreements, regulatory approvals, environmental assessments and permitting and Aboriginal consultation.

Helen has acted as counsel to Enbridge Gas Distribution and some of Ontario's largest electricity distributors (PowerStream, Hydro Ottawa, Veridian) in connection with rate and facility applications, regulatory compliance issues and conservation and demand management initiatives. She has acted as counsel in over 100 proceedings before the National Energy Board, the Ontario Energy Board and the Energy Resources Conservation Board (Alberta) in cases involving the construction of electricity generation and transmission facilities and natural gas and oil pipeline facilities, the approval of rates (tolls) for transmission and distribution companies, the authorization of electricity and natural gas imports and exports and the development of regulatory codes, standards and policies. Helen has appeared before the Ontario Divisional Court, the Ontario Court of Appeal, the Federal Court of Appeal and the Supreme Court of Canada.

A large component of any regulatory practice involves the provision of advice related to regulatory compliance. Throughout her career, Helen has provided on-going compliance and audit advice in the energy and environmental areas to a wide variety of clients regulated by the National Energy Board and the various provincial regulators across Canada. On the gas side, these clients have included Enbridge Gas Distribution, NOVA Gas Transmission Ltd., Pipelines, Pacific Gas Transmission Company, and Trans-Northern Pipeline. On the power side, Helen's audit and compliance clients have included PowerStream, Hydro Ottawa, Enbridge Inc. and Capital Power.

Experience

- **Atura Power (a subsidiary of Ontario Power Generation Inc):** Advising on the acquisition of a 1,858MW

portfolio of combined-cycle natural gas-fired power plants in Ontario from affiliates of TC Energy for a purchase price of approximately $2.8 billion. The acquired power generation portfolio consists of: all of the assets of the 900MW Napanee Generating Station and the 683MW Halton Hills Generating Station and the remaining 50% equity interest in the 550MW Portlands Energy Centre.

- **SkyPower Global :** A cross-border Dentons team from Canada and Uzbekistan advised SkyPower on its US$1.3 billion investment in photovoltaic solar energy facilities in Uzbekistan. JSC Uzbekenergo, the Uzbek national power utility, entered into a power purchase agreement with SkyPower for a total capacity of 1,000 MW. Under the terms of the power purchase agreement, SkyPower will carry out the design, financing, construction, operation and ownership of power generation facilities.
- **Boralex:** Advised on its purchase of nine wind farms near Chatham, Ontario.
- **K2 Wind (Samsung, Pattern and Capital Power):** Advised on the development of its 270 MW wind farm near Kincardine, Ontario.
- **Kruger Energy:** Advised on the development of its two 101 MW wind farms near Chatham, Ontario.
- **Renewable Energy Systems Canada:** Advised on the development of its 99 MW Talbot Wind Farm near Chatham, Ontario and its 99 MW Greenwich Wind Farm near Thunder Bay, Ontario.
- **Enbridge Inc.:** Advised on its development of a 90 MW wind farm near Goderich, Ontario.
- **Capital Power:** Advised on its development of its 105 MW Port Dover and Nanticoke Wind Farm.
- **Bank of Montreal:** Advised on its $250 million project financing of the 60 MW Bow Lake Wind Farm in northern Ontario.
- **MUFG Union Bank, N.A.:** Advised on its $121 million project financing of the Grand Valley Wind Farm (Phases II and III).
- **Confidential client:** Advised prospective purchaser of a development stage, 230 MW wind farm in the Niagara region of Ontario.
- **Confidential client:** Advised prospective purchaser of a group of four wind farms in southwestern Ontario.
- **Confidential client:** Advised a prospective purchaser of a 100 MW wind farm near Melancthon, Ontario.
- **Confidential client:** Advised a prospective purchaser of Invenergy’s 78 MW Raleigh Wind Farm, near Chatham, Ontario.
- **Confidential client:** Advised on the proposed development of a 60 MW wind farm in Ontario.
- **Domtar:** Provision of regulatory and related advice in connection with the construction, operation and disposition of its Ontario power generation facilities.
- **Tembec:** Provision of regulatory and related advice in connection with the construction and operation of its Ontario power generation facilities.
- **Bank of Montreal:** Advised on its project financing of a 10 MW, aboriginal-sponsored solar farm near Cobourg, Ontario.
- **National Bank of Canada:** Advised on its $215 million project financing of four, BluEarth Renewable solar projects in Ontario.
- **Confidential client:** Advised the developer of a 100 MW solar farm in southwestern Ontario.
- **Confidential client:** Advised a large automobile manufacturer on the development of a 10 MW solar ground mount facility in Ontario.
- **Confidential client:** Advised the purchaser of a portfolio of utility scale solar facilities (80 MW) developed under the Ontario FIT Program.

- **Toronto Community Housing Corporation:** Led the interdisciplinary team that developed and managed the procurement of the manager of TCHC's Regent Park District Heating Centre.
- **Royal Bank of Canada:** Advised on its $330 million refinancing of a 390 MW gas-fired peaking power plant in York Region, Ontario.
- **Bank of Tokyo - Mitsubishi UFJ:** Advised on its $670 million project financing of the 1050 MW combined cycle gas-fired Greenfield Energy Centre in southern Ontario.
- **Bank of Tokyo - Mitsubishi UFJ:** Advised on its $403 million project financing of the 580 MW combined cycled gas-fired Brighton Beach power plant in southern Ontario.
- **Index Energy Ajax:** Advised on expansion of its 17.8 MW biomas generation facility in Ajax Ontario.
- **Capital Power:** Advised on the $1.1 billion sale of its Canadian thermal generation assets to Atlantic Power Corporation.
- **Royal Bank of Canada:** Advised in connection with the refinancing of a 584 MW gas-fired combined cycle power plant near Sarnia, Ontario.
- **MidAmerican Transmission and Renewable Energy Systems Canada:** Advised on their bid to be designated, by the Ontario Energy Board, as the developer of the 230 kV, 400 km East-West Tie Transmission Line between Thunder Bay and Wawa.
- **K2 Wind (Samsung, Pattern and Capital Power):** Advised in connection with securing regulatory approvals for the construction of a high voltage transmission line connecting the K2 Wind Farm to Hydro One's 500 kV transmission line.
- **Kruger Energy:** Advised on the regulatory and other approvals required to the construct and operate two transmission lines to connect two wind farms to the facilities of Hydro One, near Chatham, Ontario.
- **RES Canada:** Advised on the construction of transmission lines connecting its Ontario wind farms to the facilities of Hydro One.
- **Toyota Motor Manufacturing Canada:** Advised in respect of transmission lines connecting its Ontario manufacturing facilities to the provincial electricity grid.
- **Confidential client:** Advised an electricity transmitter in connection with its bid to purchase the Great Lakes Power Transmission in northern Ontario.
- **EPCOR Utilities Inc.:** Advised on its acquisition of an Ontario natural gas distributor.
- **Enbridge Gas Distribution Inc.:** Advised on various regulatory audits and compliance matters and in connection with numerous rates and facilities proceedings before the National Energy Board and the Ontario Energy Board.
- **Trans-Northern Pipeline:** Advised in connection with various external and internal audit and compliance matters.
- **PowerStream:** Advised on various regulatory audit and compliance matters and in connection with its applications to the Ontario Energy Board for approval of distribution rates.
- **Hydro Ottawa:** Advised on various regulatory audit and compliance matters and in connection with its applications to the Ontario Energy Board for approval of distribution rates.
- **Veridian:** Advised in connection with its application to the Ontario Energy Board for approval of its acquisition of an electricity distributor.
- **Coalition of Large Distributors:** Advised the six largest electricity distributors in Ontario in connection with their applications to the Ontario Energy Board for approval of their conservation and demand management and smart meter plans.

- **Pacific Gas & Electric:** Advised in connection with applications to the Alberta Utility Board for expansions into Canada.
- **NOVA Gas:** Advised in connection with jurisdictional inter-provincial disputes with provincial and federal regulators.
- **Extenet:** Advised on its application to the Ontario Energy Board for access to utility poles for the attachment of telecommunication equipment.

Recognition

- Recognized in *IFLR 1000: The Guide to the World's Leading Financial Law Firms* as a leading lawyer in Project Development (2019-2020)
- Recognized in *The Best Lawyers* in Canada as one of Canada's leading lawyers in Energy Law (2014–2020) and Energy Regulatory Law (2008–2020)
- Recognized in *Chambers Canada* as a leading lawyer in the area of Energy: Provincial Regulatory (Ontario) (2018-2020)
- Recognized by *The Legal 500 Canada* in the area of Energy - Power (2015, 2016, 2020)
- Recognized by *Who's Who Legal* as a leading lawyer in the area of Energy (2013–2017)
- Recognized in the area of Energy and Natural Resources by *Expert Guides* (2017)
- Recognized in the area of Energy and Natural Resources by Expert Guides *Women in Business Law* (2016, 2017)
- Recognized by *Who's Who Legal Canada* as a leading lawyer in the area of Energy (2013–2017)
- Recognized in *The Canadian Legal Lexpert Directory* as one of Canada's leading lawyers in the area of Energy: Electricity (2016)

Insights

- Co-author, "The Impact of COVID-19 on the Power Sector" and "Pumped Storage: Old Technology, New Uses," *Chambers and Partners Alternative Energy & Power Guide, Trends and Developments*, July, 2020

Activities and Affiliations

- Member, Canadian Bar Association
- Member, Canadian Petroleum Law Foundation
- Member, American Bar Association
- Member, Energy Bar Association (US)

Prior and Present Employment

- Partner, Dentons Canada LLP (formerly Fraser Milner Casgrain LLP), 2001-present
- Partner, Aird & Berlis, 1995-2001
- Partner, Smith Lyons, 1989-1995
- Counsel, National Energy Board, 1985-1989

- Economic Analyst, Parks Canada, 1983-1985

Areas of focus

Practices

- Aboriginal Law (Canada)
- Environment and Natural Resources

Industry sectors

- Energy
- Oil and Gas
- Renewable Energy

Education

- Dalhousie University, 1981, LLB, (awarded the Alistair Fraser Prize for third place standing in first year)
- University of Manitoba, 1977, Masters (Natural Resource Management)
- Queen's University, 1975, Hons. B.Sc. (Biology)

Admissions and qualifications

- Ontario, 1983

Languages

- English

© 2020 Dentons. Dentons is a global legal practice providing client services worldwide through its member firms and affiliates. Please see dentons.com for Legal Notices.

EXTERNAL CONSULTANCIES

1. Cornerstone

Cornerstone is an award-winning North American engineering, construction and consulting firm that provides professional engineering, survey and land services to the energy infrastructure marketplace. It has extensive experience advising clients in respect of in greenfield pipeline projects, liquefied natural gas systems, system integrity, and capital cost estimating. Cornerstone conducted the initial Project Feasibility Study, including a proposed system design.

2. Stantec

Stantec is a global engineering design, construction management and environmental consultancy with a depth of experience supporting Canadian gas pipeline projects. Stantec has been responsible for conducting all Project environmental and route identification and evaluation work, to-date, drawing on technical teams in Markham, Guelph and Thunder Bay. Stantec has also provided the Municipalities with support in designing and implementing their stakeholder consultation programs, including their Indigenous consultation program.

3. Firedog Communications

Firedog Communications is a full-service marketing communications agency located in Thunder Bay, Ontario. Founded in 2003 by British entrepreneur, Stephanie Ash, Firedog has since grown into a regional and national award-winning company that services an impressive client base in Northern Ontario, Canada and North America. Firedog's portfolio of work also extends into the UK, European, Asian markets. Firedog provides and integrates marketing strategy, branding, graphic design, public relations, advertising, social media and web design services.

4. Elenchus

Founded in 1980, Elenchus is a leading Canadian consulting firm respected for its expertise and experience in economic regulation, focusing on the energy and the telecommunications sectors. Elenchus' clients include regulated companies, producers and generators, customers groups, regulators and government ministries and agencies. Elenchus conducted the economic analysis that underpins the Submission and developed the forecasts of customer attachments, demand, revenue requirement and distribution rates included in the Submission. It was also responsible for producing the Profitability Index analysis which underpins the Proponents' request for Section 36.2 Funding.

5. Colliers

Colliers is a leading commercial real estate service and investment management company. It offers a broad range of services, including transaction management, project management, workplace consulting, and strategic planning in a variety of sectors, including the energy sector. It has expertise in the specialized materials, regulatory requirements and location strategies required by energy projects. Colliers has provided support to the Project in the areas of capital cost estimation and construction management and scheduling.

LAKESHORE NATURAL GAS
PROJECTED BALANCE SHEET
AS AT OCTOBER 31, 2023 AND 2024

		2023	2024
ASSETS			
Current Assets			
Cash		$ 1,665,900	$ 2,121,500
Accounts receivable		54,800	138,500
Inventory	1	-	-
		1,720,700	2,260,000
Development Costs, Net of NOHFC Grant	2	4,849,100	4,849,100
Capital Assets			
Land	3	48,300	48,300
Roads	3	900,000	900,000
Gas distribution	3	42,874,900	44,796,500
Machinery and equipment	3	225,000	225,000
		44,048,200	45,969,800
Accumulated depreciation		(1,011,300)	(2,225,300)
		43,036,900	43,744,500
		$ 49,606,700	$ 50,853,600
LIABILITIES			
Current Liabilities			
Accounts payable		$ 395,100	$ 502,100
Loan - current portion	4	-	326,400
Total Current Liabilities		395,100	828,500
Long term Liabilities			
Government contribution	5	35,770,100	36,275,000
Long term loan	4	14,000,000	13,355,100
Total Liabilities		50,165,200	50,458,600
SHAREHOLDERS' EQUITY (DEFICIENCY)			
100 Common Shares		750,000	750,000
Retained Earnings (Deficit)			
Opening	7	(1,207,200)	(1,308,500)
Net earnings (loss) for the year		(101,300)	953,500
Dividends		-	-
		(1,308,500)	(355,000)
		(558,500)	395,000
		$ 49,606,700	$ 50,853,600

LAKESHORE NATURAL GAS
PROJECTED BALANCE SHEET
AS AT OCTOBER 31, 2023 AND 2024

Notes:

These projections are based on assumptions. The actual results will differ from these projections and the differences will be material.

The assumptions made herein are effective August 4, 2020. These assumptions reflect the Company's planned course of action based on the information available at this time. These projections reflect the OEB rate model revenue and expense assumptions, adjusted from a calendar year end to the Company's fiscal year end, on a pro rata basis. All figures have been rounded to the one hundredth.

1 It is assumed that Lakeshore Natural Gas will pay for the gas based on usage, and will not have to purchase in advance.

2 Development costs are an intangible asset which are not amortized but assessed for fair market value on an annual basis. It is assumed that their value remains the same as their original cost in the first two years.

3 Capital assets are calculated as follows. Straightline amortization rate is shown below.

Land, beginning balance		$ 48,300	$ 48,300
Additions		-	-
Land		$ 48,300	$ 48,300
Roads, beginning balance		$ 450,000	$ 900,000
Additions		450,000	-
		900,000	900,000
Accumulated amortization	*10*	(67,500)	(157,500)
Roads, net		$ 832,500	$ 742,500
Distribution system, beginning balance		$ 30,377,600	$ 42,874,900
Additions		12,497,300	1,921,600
		42,874,900	44,796,500
Accumulated amortization	*40*	(915,700)	(2,011,600)
Distribution system, net		$ 41,959,200	$ 42,784,900
Machinery and equipment, beginning balance		$ 225,000	$ 225,000
Additions		-	-
		225,000	225,000
Accumulated amortization	*8*	(28,100)	(56,200)
Machinery and equipment, net		$ 196,900	$ 168,800

4 The long term loan related to the construction of the Distribution System was calculated as follows.

Loan terms are assumed to be: 30 year amortization period and interest rate of 2.48%. Debt payments will not commence until construction is complete in 2024.

Beginning balance	$ 9,568,200	$ 14,000,000
Additions	4,431,800	-
Debt payments	-	(318,500)
Bank loan balance	14,000,000	13,681,500
Current portion	-	(326,400)
Ending balance	$ 14,000,000	$ 13,355,100

5 It is assumed that North Shore will be successful in receiving a Government grant in the amount of $38 million. The grant will be released as a percentage of the construction completed. The grant will be amortized over the same useful life as the Distribution System.

Government contribution, beginning balance		$ 26,881,800	$ 36,563,200
Additions		9,681,400	1,436,900
		36,563,200	38,000,100
Accumulated amortization	40	(793,100)	(1,725,100)
Government contribution, net		$ 35,770,100	$ 36,275,000

6 It is assumed that the shareholders will provide an interest free loan, with no terms of repayment for the first five years.

7 As at the effective date of this forecast, no historic financial statements had been prepared for the Company. This forecast assumes that certain operating and other costs will be incurred prior to November 1, 2022, when the majority of the construction is expected to be completed. These statements reflect the first two years of operations of Lakeshore Natural Gas.

LAKESHORE NATURAL GAS
PROJECTED INCOME STATEMENT

FOR THE YEARS ENDING OCTOBER 31, 2023 AND 2024

	2023	2024
REVENUES		
Gas distribution - residential	$ 1,451,000	$ 2,594,300
Gas distribution - other	919,000	1,121,800
Gas supply	2,487,700	3,645,900
Amortization on government contribution	793,100	932,000
	5,650,800	8,294,000
OPERATING EXPENSES		
Amortization	1,011,300	1,214,000
Bad debts	12,100	12,600
Gas supply	2,487,700	3,645,900
Interest on long term debt	292,200	343,600
Management fees	38,500	40,000
Marketing and sales	128,100	133,100
Office	341,200	354,500
Operating costs	42,100	43,700
Professional fees	64,000	66,500
Property taxes	250,000	258,200
Regulatory commissions	128,100	133,100
Wages and benefits	956,800	994,200
Total operating expenses	5,752,100	7,239,400
Net earnings (loss) before income taxes	(101,300)	1,054,600
Income taxes	-	(101,100)
Net earnings (loss) for the year	$ (101,300)	$ 953,500

Notes:

These projections are based on assumptions. The actual results will differ from these projections and the differences will be material.

The assumptions made herein are effective August 4, 2020. These assumptions reflect the Company's planned course of action based on the information available at this time. These projections reflect the OEB rate model revenue and expense assumptions, adjusted from a calendar year end to the Company's fiscal year end, on a pro rata basis. All figures have been rounded to the one hundredth.

LAKESHORE NATURAL GAS
PROJECTED CASH FLOW STATEMENT
FOR THE YEARS ENDING OCTOBER 31, 2023 AND 2024

	2023	2024
OPERATING ACTIVITIES		
Net earnings (loss) for the year	$ (101,300)	$ 953,500
Add: Amortization	218,200	282,000
Add: Increase in Working Capital	340,300	23,300
Cash flow from Operations	457,200	1,258,800
FINANCING ACTIVITIES		
Government contribution	9,681,400	1,436,900
Third pary loan receipt (payments)	4,431,800	(318,500)
	14,113,200	1,118,400
INVESTING ACTIVITIES		
Capital asset purchases	(12,947,300)	(1,921,600)
Excess of Cash	1,623,100	455,600
Cash, Beginning of the Year	42,800	1,665,900
Cash, End of the Year	$ 1,665,900	$ 2,121,500

Notes:

These projections are based on assumptions. The actual results will differ from these projections and the differences will be material.

The assumptions made herein are effective August 4, 2020. These assumptions reflect the Company's planned course of action based on the information available at this time. These projections reflect the OEB rate model revenue and expense assumptions, adjusted from a calendar year end to the Company's fiscal year end, on a pro rata basis. All figures have been rounded to the one hundredth.

Consolidated Financial Statements

The Corporation of the Town of Marathon

December 31, 2017

The Corporation of the Town of Marathon
4 Hemlo Drive, P.O. Bag TM
Marathon, Ontario P0T 2E0
cao@marathon.ca
Phone: (807) 229-1340
Fax: (807) 229-1999
www.marathon.ca

Statement of Administrative Responsibility

The management of the Corporation of the Town of Marathon has prepared the accompanying consolidated financial statements and is responsible for their accuracy and integrity. These statements consolidate all operations for which the Municipality has legislative and financial responsibility. The consolidated financial statements have been prepared by management in accordance with the accounting principles generally accepted for the public sector as prescribed by the Public Sector Accounting Board [PSAB] of CPA Canada.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the administration has developed and maintains a system of internal control designed to provide reasonable assurance that Municipality's assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the consolidated financial statements.

Council reviews and approves the consolidated financial statements before such statements are submitted to the Ministry of Municipal Affairs and published for the residents of the Corporation of the Town of Marathon. The external auditors have access to, and meet with, Municipal Council to discuss their audit and the results of their examination.

The 2017 Financial Statements have been reported on by the Corporation of the Town of Marathon's external auditors, Grant Thornton LLP. The auditors were appointed by Marathon's Town Council. The auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the consolidated financial statements.

Daryl Skworchinski	Chuck Verbo	Rick Dumas
Chief Administrative Officer / Clerk	Finance & Administration Manager / Treasurer	Mayor

respect
respect. works here.

Contents

	Page
Independent Auditor's Report	1 - 2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations and Accumulated Surplus	4
Consolidated Statement of Change in Net Financial Assets	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7 - 19
Schedule 1 - Consolidated Schedule of Accumulated Surplus	20
Schedule 2 - Consolidated Schedule of Tangible Capital Assets	21
Schedule 3 - Consolidated Schedule Of Segment Disclosure	22 - 23
Consolidated Local Boards	
Public Library Board	
Independent Auditor's Report	24 - 25
Statement of Financial Position	26
Statement of Operations and Accumulated Surplus	27
Statement of Change in Net Financial Assets	28
Statement of Cash Flows	29
Notes to the Financial Statements	30 - 34
Trust Funds	
Independent Auditor's Report	35 - 36
Statement of Financial Position	37
Statement of Operations and Accumulated Surplus	38
Statement of Cash Flows	39
Notes to the Financial Statements	40

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
979 Alloy Drive
Thunder Bay, ON
P7B5Z8

T (807) 345-6571
F (807) 345-0032
www.GrantThornton.ca

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Town of Marathon

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Marathon, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Grant Thornton

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of the Town of Marathon as at December 31, 2017, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Thunder Bay, Canada
June 25, 2018

Chartered Professional Accountants
Licensed Public Accountants

The Corporation of the Town of Marathon
Consolidated Statement of Financial Position

As at December 31	**2017**	2016
	$	$
FINANCIAL ASSETS		
Cash and cash equivalents *[note 3]*	**2,379,603**	3,512,282
Investments *[note 4]*	**5,167,261**	3,825,784
Taxes receivable *[note 5]*	**631,331**	1,668,468
User charges receivable	**50,134**	53,690
Accounts receivable	**835,082**	190,587
Total financial assets	**9,063,411**	9,250,811
LIABILITIES		
Accounts payable and accrued liabilities	**796,179**	1,767,958
Deferred revenue *[note 8]*	**635,597**	326,245
Debt *[note 9]*	**1,779,155**	1,891,118
Landfill closure and post-closure liability *[note 10]*	**555,917**	610,206
Total liabilities	**3,766,848**	4,595,527
NET FINANCIAL ASSETS	**5,296,563**	4,655,284
NON-FINANCIAL ASSETS		
Tangible capital assets - net *[schedule 2]*	**36,796,783**	37,564,614
Prepaid expenses	**7,940**	18,260
	36,804,723	37,582,874
Accumulated surplus *[schedule 1]*	**42,101,286**	42,238,158

See accompanying notes to the consolidated financial statements.

The Corporation of the Town of Marathon
Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31	2017 Budget $ *[note 15]*	2017 Actual $	2016 Actual $
REVENUES *[schedule 3]*			
Taxation	**4,919,910**	**4,941,305**	4,965,126
User charges			
Water and sewer	**1,251,344**	**1,211,076**	1,154,152
Other fees and service charges	**1,098,257**	**1,277,430**	1,178,387
	2,349,601	**2,488,506**	2,332,539
Government transfers			
Government of Canada	**191,885**	**125,602**	753,977
Province of Ontario	**2,091,368**	**2,167,539**	2,363,427
	2,283,253	**2,293,141**	3,117,404
Other			
Investment income	**79,874**	**97,902**	79,813
Penalties and interest on taxes	**100,000**	**161,689**	133,717
Gain (loss) on disposal of tangible capital assets	**5,000**	**(758)**	7,271
Sundry	**71,300**	**83,233**	159,973
	256,174	**342,066**	380,774
Total revenues	**9,808,938**	**10,065,018**	10,795,843
EXPENSES *[schedule 3]*			
General government	**1,661,222**	**1,760,560**	1,831,658
Protection to persons and property	**1,645,693**	**1,657,643**	1,855,730
Transportation services	**1,999,979**	**2,121,323**	2,078,823
Environmental services	**2,011,583**	**1,732,489**	1,883,860
Health services	**291,003**	**274,347**	274,615
Social and family services	**191,952**	**308,321**	372,069
Recreation and cultural services	**2,102,047**	**2,081,561**	2,061,339
Planning and development	**269,586**	**265,646**	273,487
	10,173,065	**10,201,890**	10,631,581
NET REVENUES (EXPENSES)	**(364,127)**	**(136,872)**	164,262
Annual surplus (deficit)	**(364,127)**	**(136,872)**	164,262
Accumulated surplus, beginning of year	**42,238,158**	**42,238,158**	42,073,896
Accumulated surplus, end of year	**41,874,031**	**42,101,286**	42,238,158

See accompanying notes to the consolidated financial statements.

The Corporation of the Town of Marathon
Consolidated Statement of Change in Net Financial Assets

Year ended December 31	**2017**	**2017**	2016
	Budget	**Actual**	Actual
	$	$	$
	[note 15]		
Annual surplus (deficit)	**(364,127)**	**(136,872)**	164,262
Acquisition of tangible capital assets	**(865,986)**	**(865,986)**	(1,607,542)
Amortization of tangible capital assets	**1,601,434**	**1,601,434**	1,606,109
Proceeds on disposal of tangible capital assets	**-**	**31,625**	10,089
Loss (gain) on disposal of tangible capital assets	**-**	**758**	(7,271)
Acquisition of prepaid expenses	**-**	**(7,940)**	(18,260)
Use of prepaid expenses	**-**	**18,260**	19,433
Increase in net financial assets	**371,321**	**641,279**	166,820
Net financial assets, beginning of year	**4,655,284**	**4,655,284**	4,488,464
Net financial assets, end of year	**5,026,605**	**5,296,563**	4,655,284

See accompanying notes to the consolidated financial statements.

The Corporation of the Town of Marathon
Consolidated Statement of Cash Flows

Year ended December 31	**2017**	2016
	$	$
OPERATIONS		
Annual surplus (deficit)	**(136,872)**	164,262
Non-cash charges		
Amortization of tangible capital assets	**1,601,434**	1,606,109
Loss (gain) on disposal of tangible capital assets	**758**	(7,271)
Decrease in landfill closure and post-closure liability	**(54,289)**	(7,240)
	1,411,031	1,755,860
Net change in non-cash working capital balances		
Decrease (increase) in taxes receivable	**1,037,137**	(54,188)
Decrease (increase) in user charges receivable	**3,556**	(40,312)
Decrease (increase) in accounts receivable	**(644,495)**	462,727
Decrease in accounts payable and accrued liabilities	**(907,033)**	(294,534)
Increase (decrease) in deferred revenue	**244,606**	(500,100)
Decrease in prepaid expenses	**10,320**	1,173
Cash provided by operating transactions	**1,155,122**	1,330,626
CAPITAL		
Acquisition of tangible capital assets	**(865,986)**	(1,607,542)
Proceeds on disposal of tangible capital assets	**31,625**	10,089
Cash used in capital transactions	**(834,361)**	(1,597,453)
INVESTING		
Acquisition of investments, net	**(1,341,477)**	(1,247,818)
Cash used in investing transactions	**(1,341,477)**	(1,247,818)
FINANCING		
Repayment of long-term debt	**(111,963)**	(926,646)
Cash used in financing transactions	**(111,963)**	(926,646)
Decrease in cash and cash equivalents	**(1,132,679)**	(2,441,291)
Opening cash and cash equivalents	**3,512,282**	5,953,573
Closing cash and cash equivalents	**2,379,603**	3,512,282

See accompanying notes to the consolidated financial statements.

The Corporation of the Town of Marathon
Notes to the Consolidated Financial Statements
December 31, 2017

GENERAL

The Corporation of the Town of Marathon is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements of The Corporation of the Town of Marathon ("Town") are prepared by management in accordance with accounting policies generally accepted for the local government as prescribed by the Public Sector Accounting Board ("PSAB") of CPA Canada. The more significant of these accounting policies are as follows:

[a] Basis of consolidation

Reporting entity

These consolidated financial statements reflect the financial assets, liabilities, revenues and expenses, and accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations, local boards, and committees accountable for the administration of their financial affairs and resources, to the Town, and which are owned or controlled by the Town. Accordingly, the following are consolidated in these financial statements.

Marathon Centennial Public Library Board
Marathon Economic Development Corporation

All interfund balances and transactions have been eliminated.

Local boards

The financial activities of certain entities associated with the Town are not consolidated. The Town's contributions to these entities are recorded in the Consolidated Statement of Operations and Accumulated Surplus. The entities that are accounted for in this manner are:

Thunder Bay District Health Unit
The District of Thunder Bay Social Services Administration Board

Trust funds

Certain assets have been conveyed or assigned to the Town to be administered as directed by agreement or statute. The Town holds the assets for the benefit of and stand in fiduciary relationships to the beneficiaries, as a result, the trust funds and assets are excluded from these financial statements.

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 financial statements.

[b] Basis of accounting

Accrual accounting

The Town uses the accrual basis of accounting which recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent. The Town recognizes a liability until the obligation or conditions underlying the liability is partly or wholly satisfied and recognizes an asset until the future economic benefit underlying the asset is partly or wholly used or lost.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances in banks and credit unions.

Employee benefits

The Town accounts for its participation in the Ontario Municipal Employee Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. Obligations for sick leave under employee benefits payable are accrued as the employees render the services necessary to earn the benefits. Vacation pay and other post-employment benefits are charged to operations in the year earned.

Non-financial assets

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

[a] Tangible capital assets

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

Buildings	20 to 60 years
Land improvements	20 to 40 years
Machinery and equipment	10 to 30 years
Other	5 to 20 years
Transportation - roads and other structures	20 to 80 years
Underground and other networks	30 to 60 years
Vehicles	10 to 20 years

Amortization charged in the year of acquisition and in the year of disposal is based on the number of months the asset is in use in that year. Assets under construction are not amortized until the asset is available for productive use, at which time they are transferred to their respective tangible capital asset categories.

[b] Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

[c] Tangible capital assets recognized at nominal value

Assets for which there is a difficulty of determining a tenable valuation are assigned a nominal value of one dollar.

[d] Capitalization of interest

The Town has a policy of capitalizing borrowing costs incurred when financing the acquisition of a tangible capital asset, for those interest costs incurred up to the date the asset goes into use, per PS 3150.17.

[e] Leases

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

Taxation revenue

Taxes are recognized as assets and revenue when they meet the definition of an asset, are authorized and the taxable event occurs, which for property taxes is the period for which the tax is levied.

At each financial statement date, management evaluates the extent to which the taxes receivable are ultimately collectible and valuation allowances are used to reflect tax receivables at their net recoverable amount.

At each financial statement date, management evaluates the likelihood of having to repay taxes collected under tax measures that have been deemed authorized using the concept of legislative convention and recognizes a liability when required. Related refunds are accounted for in the period in which the change in estimate occurs.

Reserves and reserve funds

Council segregates its accumulated surplus into various categories including reserve and reserve funds which are specifically for future operating and capital purposes.

Revenue recognition

User charges and fees are recognized as revenue in the period in which the related services are performed. Amounts collected for which the related services have yet to be performed are recognized as a liability and recognized as revenue when the related services are performed.

Investment income earned on surplus funds are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the deferred revenue balance.

Funds received, other than government transfers and tax revenue, for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general purposes are accounted for as deferred revenue on the Consolidated Statement of Financial Position. The revenue is recognized in the Consolidated Statement of Operations and Accumulated Surplus in the year in which it is used for the specified purpose.

Government transfers

Government transfers are transfers of monetary assets or tangible capital assets from a government to an individual, an organization or another government that are not the result of an exchange transaction, expected to be repaid in the future or expected to produce a direct financial return. Government transfers received are recognized in the financial statements as a revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

Government transfers made to a recipient by the Town are recorded as an expense when they are authorized and the recipient meets all eligibility criteria.

The Town receives Gas Tax proceeds from the Federal Government through the Association of Municipalities of Ontario. These funds, by their nature are restricted in their use and, until applied to specific expenses, are recorded as deferred revenue. Amounts applied to qualifying projects are recorded as revenue in the fiscal period they are expended.

Use of estimates

The preparation of 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's historical experiences, best knowledge of current events and actions that the Town may undertake in the future. Significant accounting estimates include valuation allowance for accounts receivable, estimated useful lives of tangible capital assets, employee benefits payable and solid waste landfill closure and post-closure liabilities. Actual results could differ from these estimates.

Landfill closure and post-closure liability

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

2. CEMETERY CARE AND MAINTENANCE TRUST FUND

The only trust fund currently administered by the Town is the Cemetery Care and Maintenance Trust Fund. This trust fund which amounts to $58,369 [2016 - $56,006] has not been included in the Consolidated Statement of Financial Position nor has its operations been included in the Consolidated Statement of Operations and Accumulated Surplus.

3. CASH AND CASH EQUIVALENTS

The Town has available a line of credit of $1,500,000 [2016 - $1,500,000] for which the Town has provided a general security agreement of which $nil [2016 - $nil] was borrowed at year-end. Interest on the line of credit is calculated at bank prime less 0.75%.

4. INVESTMENTS

Investments consist of Guaranteed Investment Certificates of $3,798,604 [2016 - $2,745,000] maturing dates ranging from January, 2018 to November, 2018 yielding interest rates of 1.24% to 1.88% [2016 - 1.4% to 1.6%]. Investments in Bond and Equity Funds of $1,368,657 [2016 - $1,080,784] are held and administered by the One Investment Program.

The Corporation of the Town of Marathon
Notes to the Consolidated Financial Statements
December 31, 2017

5. TAXES RECEIVABLE

	2017 $	2016 $
Property and business taxes receivable	**5,580,331**	10,318,468
Allowance for property and business tax arrears	**(4,949,000)**	(8,650,000)
	631,331	1,668,468

6. PENSION AGREEMENTS

The Town makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of 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. The amount contributed to OMERS for 2017 was $224,497 [2016 - $207,222] for current service.

7. EMPLOYEE FUTURE BENEFIT OBLIGATIONS

Under the sick leave benefit plan, unused sick leave is paid out in the following year. Prior to 2017, the COPE union could accumulate sick leave but in March, 2017, COPE signed a memorandum of understanding where any unused sick leave is paid out in the following year.

The liability for sick leave amounted to $33,777 [2016 - $58,858] at the end of the year.

8. DEFERRED REVENUE

	2017 $	2016 $
Unearned Gas Tax proceeds	**505,315**	293,621
Unearned Provincial Grant - Healthy Kids	**26,648**	19,928
Other	**11,997**	12,696
Unearned Provincial Funding - Infrastructure	**91,637**	-
	635,597	326,245

The continuity of deferred revenue is as follows:

	2017 $	2016 $
Balance, beginning of year	**326,245**	826,345
Gas Tax grant funding proceeds received	**211,694**	212,919
Gas Tax funding utilized	**-**	(664,826)
Conditional grant and other revenue received	**127,586**	188,741
Conditional grant and other revenue utilized	**(29,928)**	(236,934)
Balance, end of year	**635,597**	326,245

9. DEBT

[a] The balance of debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2017 $	2016 $
Ontario Infrastructure and Lands Corporation		
Debenture loan repayable in semi-annual payments of $82,161 including interest at 2.81% maturing October, 2030.	**1,779,155**	1,891,118
Long-term portion	**1,779,155**	1,891,118

[b] Principal due on debt over the next five years and thereafter, assuming the loan is refinanced under similar terms, is as follows:

	$
2018	115,131
2019	118,389
2020	121,739
2021	125,184
2022	128,727
Thereafter	1,169,985
	1,779,155

[c] The debenture in [a] issued in the name of the Town has been approved by by-law #1889. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ontario Ministry of Municipal Affairs and Housing.

[d] Total interest charges for debt reported on the Consolidated Statement of Operations and Accumulated Surplus are $51,559 [2016 - $67,505].

10. LANDFILL CLOSURE AND POST-CLOSURE

Legislation requires closure and post-closure care of solid waste and landfill sites. Closure costs include final covering and landscaping of the landfill and implementation of drainage and gas management plans. Post-closure care requirements include cap maintenance, groundwater monitoring, gas management system operations, inspections and annual reports.

The Town owns and operates one landfill site and one closed landfill site. The active landfill site was opened in July, 2015 covering 16.1 acres with a capacity of 256,688 tonnes. As at December 31, 2017, the remaining capacity of the site is estimated at 222,719 tonnes representing 86.8% of the total capacity. The open site is expected to close when it reaches its capacity in 2147.

The Corporation of the Town of Marathon
Notes to the Consolidated Financial Statements
December 31, 2017

The closure and post-closure costs for the open landfill site, and the post-closure costs for the closed site, are based upon best estimates by management. Post-closure care for the open landfill site is estimated to be required for 20 years from the date of closure. Post-closure care for the closed landfill site is estimated to be required until 2036.

The liability of $555,917 [2016 - $610,206] for closure and post-closure costs of the active site and the post-closure of the closed site, has been reported on the Consolidated Statement of Financial Position.

	2017 $	2016 $
[a] Operating landfill site (Camp 19)		
Estimated closure and post-closure costs over the next 150 years [2016 - 151 years]	**1,169,723**	1,169,273
Discount rate	**2.81 %**	2.81 %
Discounted cost	**257,731**	453,150
Expected year capacity will be reached	**2147**	2147
Capacity (tonnes):		
Used to date	**33,969**	16,071
Remaining	**222,719**	240,617
Total	**256,688**	256,688
Percent utilized	**13.23 %**	6.67 %
Liability based on the percentage utilized	**34,107**	28,371
[b] Closed landfill site (Penn Lake Road)		
Estimated closure and post-closure costs over the next 18 years [2016 - 19 years]	**531,664**	592,497
Discount rate	**2.81 %**	2.81 %
Liability based on discounted cost	**521,810**	581,835
Landfill closure and post-closure liability	**555,917**	610,206

The liability recognized in the financial statements is subject to measurement uncertainty. The recognized amounts are based on the Town's best information and judgement. Amount could change by more than a material amount in the long-term.

11. TANGIBLE CAPITAL ASSETS

Schedule 2 provides information on the tangible capital assets of the Town by major asset class, as well as accumulated amortization of the assets controlled.

There were $nil in write-downs of assets in 2017 [2016 - $nil].

Interest capitalized during 2017 was $nil [2016 - $nil].

There were no contributed tangible capital assets in 2017 [2016 - $nil].

There were no assets recorded at a nominal value in 2017 [2016 - $nil].

12. SEGMENTED INFORMATION

The Town of Marathon is a diversified municipal government institution that provides a wide range of services to its citizens, including police, fire, ambulance and water. For management reporting purposes the Town's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. Municipal services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

General government
General government services are comprised of various administrative services, including the Finance Department, Corporate Services Departments, and Mayor and Council.

Protection to persons and property
Protection to persons and property is comprised of police services, fire services and protective inspection and control. The police services are contracted from the Ontario Provincial Police. The Fire Services Department is responsible for fire suppression, fire prevention programs, training and education related to prevention, detection or extinguishment of fires. Protective inspection and control ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and bylaws for the protection of occupants.

Transportation services
Transportation services include roadways, winter control, parking and street lighting. Roadways covers the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, culverts and sidewalks. Winter control includes snowplowing, sanding and salting, snow removal and flood control. Street lighting plans, develops and maintains the street lighting system.

Environmental services
Environmental services consist of waterworks, sanitary sewer, waste collection and disposal and recycling. Waterworks provides drinking water to the citizens of Marathon. Sanitary sewer collects and treats wastewater. Waste collection and disposal and recycling includes the collection of solid waste, landfill site operations and waste minimization programs.

Health services
Health services includes public health services and ambulance services. Public health services represents the Town of Marathon's contribution to the activities of the Thunder Bay District Health Unit. The Thunder Bay District Health Unit provides health information and prevention-related clinical services; advocates for healthy public policy; investigates reportable diseases; and upholds regulations that apply to public health.

Social and family services
Social and family services represents the Town of Marathon's contribution to the activities of The District of Thunder Bay Social Services Administration Board (TBDSSAB). TBDSSAB is responsible for Ontario Works program delivery, child care services and social housing.

Recreation and cultural services
Recreation and cultural services include parks, recreation programs and facilities, public library and contributions to cultural organizations. The community services department provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services such as fitness and aquatic programs, the development and maintenance of various recreational facilities and the maintenance of parks and open spaces. The public library is dedicated to providing community access to local and global information resources that support lifelong learning, research and leisure activities. The Town makes contributions to various cultural organizations under specific funding programs.

Planning and development
The planning and development department manages urban development for business interest, environmental concerns, heritage matters and local neighbourhoods through city planning and community development and approval of all land development plans.

For additional information see the Consolidated Schedule of Segment Disclosure (Schedule 3).

13. RESERVES AND RESERVE FUNDS

The continuity of reserves and reserve funds, which make up a part of accumulated surplus noted in Schedule 1, is as follows:

	2017 $	2016 $
Reserves		
Balance, beginning of year	**3,750,186**	4,107,059
Increases		
Contributions to reserves	**206,831**	15,569
Decreases		
Contribution to operations	**62,801**	372,442
Balance, end of year	**3,894,216**	3,750,186
Reserve funds		
Balance, beginning of year	**2,782,808**	2,258,488
Increases		
Contributions to reserve funds	**259,489**	501,660
Interest earned	**39,109**	22,660
	298,598	524,320
Decreases		
Contributions to operations	**44,528**	-
Balance, end of year	**3,036,878**	2,782,808

Subsequent to year-end, the general fund surplus has been reduced by an amount of $194,289 transferred to the reserve for acquisition of capital assets as authorized by resolution on June 11, 2018. Had the reduction not been made, the balance of the general fund surplus would have been $902,770.

14. DESIGNATED ASSETS

Of the financial assets reported on the Consolidated Statement of Financial Position, the Council has designated $3,036,878 [2016 - $2,782,808] to support reserve funds.

15. BUDGET FIGURES

Public Sector Accounting Standards require a comparison of the results for the period with those originally planned on the same basis as that used for actual results. The fiscal plan in the Statement of Operations and Accumulated Surplus has been adjusted to be presented on a consistent basis as actual results. Below is a reconciliation of the figures from the approved fiscal plan to the fiscal plan per the financial statements:

	Approved Fiscal Plan $	Adjustments $	Fiscal Plan per Financial Statements $
Revenues			
Taxation	**4,919,910**	**-**	**4,919,910**
User charges	**2,349,601**	**-**	**2,349,601**
Government transfers	**2,283,253**	**-**	**2,283,253**
Other	**256,174**	**-**	**256,174**
	9,808,938	**-**	**9,808,938**
Expenses			
General government	**1,689,524**	**(28,302)**	**1,661,222**
Protection to persons and property	**1,622,424**	**23,269**	**1,645,693**
Transportation services	**1,807,769**	**192,210**	**1,999,979**
Environmental services	**2,107,426**	**(95,843)**	**2,011,583**
Health services	**257,015**	**33,988**	**291,003**
Social and family services	**191,952**	**-**	**191,952**
Recreation and cultural services	**1,890,152**	**211,895**	**2,102,047**
Planning and development	**242,676**	**26,910**	**269,586**
	9,808,938	**364,127**	**10,173,065**
Annual surplus	**-**	**(364,127)**	**(364,127)**
Interfund transfers	**-**	**(55,145)**	
Capital items	**-**	**1,126,200**	
Debt repayments	**-**	**111,963**	
Amortization	**-**	**(1,601,434)**	
Landfill	**-**	**54,289**	
Approved surplus	**-**	**(364,127)**	

16. COMMITMENTS

The Town has certain multi-year service agreements and equipment operating leases. The future minimum annual payments over the next three years is as follows:

	$
2018	472,962
2019	410,976
2020	10,192
	894,130

The most significant commitment is the contract with Northern Waterwork Inc. to operate the municipality's water and wastewater facilities from January 1, 2014 to December 31, 2018.

17. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2017 consolidated financial statements.

The Corporation of the Town of Marathon Schedule 1
Consolidated Schedule of Accumulated Surplus

Year ended December 31	**2017**	2016
	$	$
Surplus		
General fund	**708,481**	702,070
Investments in tangible capital assets	**36,796,783**	37,564,614
Unfunded		
Debt	**(1,779,155)**	(1,891,118)
Employee benefits and post-employment benefits	**-**	(60,196)
Landfill closure and post-closure liability	**(555,917)**	(610,206)
Total surplus	**35,170,192**	35,705,164
Reserves set aside for specific purposes by Council		
For acquisition of capital assets	**1,485,067**	1,280,841
For working capital	**2,409,149**	2,409,149
For sick leave	**-**	60,196
Total reserves	**3,894,216**	3,750,186
Reserve funds set aside for specific purposes by Council		
For acquisition of capital assets	**117,092**	126,530
For water and sewer operations	**2,623,567**	2,362,848
For development	**17,348**	17,183
For tax appeal	**278,871**	276,247
Total reserve funds	**3,036,878**	2,782,808
Accumulated surplus	**42,101,286**	42,238,158

The Corporation of the Town of Marathon

Schedule 2

Consolidated Schedule of Tangible Capital Assets

Year ended December 31, 2017

	General						Infrastructure			Totals	
	Land	Land Improvements	Buildings	Vehicles	Machinery and Equipment	Other	Roads and Other Structures	Underground and Other Networks	Assets Under Construction	2017	2016
	$	$	$	$	$	$	$	$	$	$	$
COST											
Balance, beginning of year	**4,286,219**	**11,336,763**	**13,475,293**	**4,591,616**	**3,233,262**	**599,483**	**18,148,881**	**16,991,596**	**-**	**72,663,113**	71,455,341
Add											
Additions during the year	**-**	**11,428**	**-**	**509,621**	**156,898**	**21,468**	**-**	**141,640**	**24,931**	**865,986**	1,607,542
Less											
Disposals during the year	**-**	**-**	**-**	**170,333**	**-**	**18,896**	**352,200**	**-**	**-**	**541,429**	399,770
Balance, end of year	**4,286,219**	**11,348,191**	**13,475,293**	**4,930,904**	**3,390,160**	**602,055**	**17,796,681**	**17,133,236**	**24,931**	**72,987,670**	72,663,113
ACCUMULATED AMORTIZATION											
Balance, beginning of year	**-**	**6,184,521**	**7,639,177**	**2,295,532**	**1,871,085**	**376,365**	**9,047,004**	**7,684,815**	**-**	**35,098,499**	33,889,342
Add											
Amortization during the year	**-**	**165,939**	**264,882**	**230,002**	**101,945**	**59,605**	**489,850**	**289,211**	**-**	**1,601,434**	1,606,109
Less											
Accumulated amortization on disposals	**-**	**-**	**-**	**137,950**	**-**	**18,896**	**352,200**	**-**	**-**	**509,046**	396,952
Balance, end of year	**-**	**6,350,460**	**7,904,059**	**2,387,584**	**1,973,030**	**417,074**	**9,184,654**	**7,974,026**	**-**	**36,190,887**	35,098,499
Net book value, beginning of year	**4,286,219**	**5,152,242**	**5,836,116**	**2,296,084**	**1,362,177**	**223,118**	**9,101,877**	**9,306,781**	**-**	**37,564,614**	37,565,999
Net book value, end of year	**4,286,219**	**4,997,731**	**5,571,234**	**2,543,320**	**1,417,130**	**184,981**	**8,612,027**	**9,159,210**	**24,931**	**36,796,783**	37,564,614

The Corporation of the Town of Marathon
Consolidated Schedule of Segment Disclosure

Schedule 3

Year ended December 31, 2017

	General Government		Protection to Persons and Property		Transportation Services		Environmental Services		Health Services	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$	$	$	$	$	$	$	$	$	$
Revenues										
Taxation	**4,941,305**	4,965,126	**-**	-	**-**	-	**-**	-	**-**	-
Government transfers	**1,967,533**	1,933,405	**62,104**	36,762	**-**	-	**75,034**	101,392	**-**	-
User fees and service charges	**34,884**	32,979	**212,010**	177,577	**230,495**	867,733	**1,426,731**	1,372,313	**129,256**	127,516
Other revenues	**244,164**	299,404	**-**	-	**-**	-	**-**	-	**-**	-
Interest income - general	**97,902**	79,813	**-**	-	**-**	-	**-**	-	**-**	-
	7,285,788	7,310,727	**274,114**	214,339	**230,495**	867,733	**1,501,765**	1,473,705	**129,256**	127,516
Expenses										
Salaries, wages and employee benefits	**835,682**	805,236	**301,709**	285,726	**943,920**	842,283	**347,776**	320,584	**18,069**	20,513
Debt charges	**51,559**	67,505	**-**	-	**-**	-	**-**	-	**-**	-
Materials	**638,789**	673,252	**152,681**	155,798	**459,802**	514,309	**339,706**	361,644	**7,988**	8,904
Contracted services	**179,652**	218,590	**1,139,984**	1,347,028	**52,552**	65,286	**526,561**	683,675	**41,901**	32,982
Rent and financials	**11,362**	12,152	**-**	-	**4,839**	3,038	**-**	-	**-**	-
External transfers	**-**	-	**-**	-	**-**	-	**-**	-	**172,401**	178,229
Amortization	**43,516**	54,923	**63,269**	67,178	**660,210**	653,907	**518,446**	517,957	**33,988**	33,987
	1,760,560	1,831,658	**1,657,643**	1,855,730	**2,121,323**	2,078,823	**1,732,489**	1,883,860	**274,347**	274,615
Annual surplus (deficit)	**5,525,228**	5,479,069	**(1,383,529)**	(1,641,391)	**(1,890,828)**	(1,211,090)	**(230,724)**	(410,155)	**(145,091)**	(147,099)

The Corporation of the Town of Marathon

Consolidated Schedule of Segment Disclosure

Year ended December 31, 2017

Schedule 3 (continued)

	Social and Family Services		Recreation and Cultural Services		Planning and Development		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$	$	$	$	$	$	$	$
Revenues								
Taxation	**-**	-	**-**	-	-	-	**4,941,305**	4,965,126
Government transfers	**116,369**	158,813	**61,101**	59,149	**11,000**	21,197	**2,293,141**	2,310,718
User fees and service charges	**-**	-	**455,130**	562,664	**-**	-	**2,488,506**	3,140,782
Other revenues	**-**	-	**-**	-	**-**	-	**244,164**	299,404
Interest income - general	**-**	-	**-**	-	**-**	-	**97,902**	79,813
	116,369	158,813	**516,231**	621,813	**11,000**	21,197	**10,065,018**	10,795,843
Expenses								
Salaries, wages and employee benefits	**-**	-	**1,070,311**	1,119,939	**132,695**	135,115	**3,650,162**	3,529,396
Debt charges	**-**	-	**-**	-	**-**	-	**51,559**	67,505
Materials	**116,369**	158,813	**658,651**	600,431	**93,025**	93,910	**2,467,011**	2,567,061
Contracted services	**5,000**	5,000	**109,230**	99,268	**1,016**	6,048	**2,055,896**	2,457,877
Rent and financials	**-**	-	**274**	1,958	**-**	-	**16,475**	17,148
External transfers	**186,952**	208,256	**-**	-	**-**	-	**359,353**	386,485
Amortization	**-**	-	**243,095**	239,743	**38,910**	38,414	**1,601,434**	1,606,109
	308,321	372,069	**2,081,561**	2,061,339	**265,646**	273,487	**10,201,890**	10,631,581
Annual surplus (deficit)	**(191,952)**	(213,256)	**(1,565,330)**	(1,439,526)	**(254,646)**	(252,290)	**(136,872)**	164,262

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
979 Alloy Drive
Thunder Bay, ON
P7B5Z8

T (807) 345-6571
F (807) 345-0032
www.GrantThornton.ca

To the Board Members, Members of Council, Inhabitants and Ratepayers of
The Corporation of the Town of Marathon

We have audited the accompanying financial statements of Marathon Centennial Public Library Board, which comprise the statement of financial position as at December 31, 2017, and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Grant Thornton

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

In common with many not-for-profit organizations, the Board derives a portion of its revenue from donations and user fees, the completeness of which is not susceptible to conclusive audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were unable to determine whether any adjustments for unrecorded revenues might be necessary to various revenue accounts and excess (deficiency) of revenues over expenses and accumulated surplus for the year.

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Marathon Centennial Public Library Board as at December 31, 2017, and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Thunder Bay, Canada
June 25, 2018

Chartered Professional Accountants
Licensed Public Accountants

Marathon Centennial Public Library Board
Statement of Financial Position

As at December 31	**2017**	2016
	$	$
FINANCIAL ASSETS		
Cash and cash equivalents	**23,887**	46,094
Accounts receivable	**1,291**	-
Harmonized Sales Tax recoverable	**1,517**	4,861
Total financial assets	**26,695**	50,955
LIABILITIES		
Accounts payable and accrued liabilities	**10,636**	13,952
Due to The Corporation of the Town of Marathon	**-**	19,239
Total liabilities	**10,636**	33,191
NET FINANCIAL ASSETS	**16,059**	17,764
NON-FINANCIAL ASSETS		
Tangible capital assets - net *[note 5]*	**65,223**	81,886
Accumulated surplus *[note 3]*	**81,282**	99,650

See accompanying notes to the financial statements.

Marathon Centennial Public Library Board
Statement of Operations and Accumulated Surplus

Year ended December 31	2017 Budget $ *[note 7]*	2017 Actual $	2016 Actual $
REVENUES			
Municipal contribution	**133,600**	**132,780**	150,000
Grants	**52,700**	**56,583**	56,274
Other	**3,400**	**8,770**	4,948
Total revenues	**189,700**	**198,133**	211,222
EXPENSES			
Amortization	**23,539**	**23,539**	20,197
Equipment and circulation material	**5,000**	**11,555**	9,501
Office supplies	**12,550**	**8,418**	14,062
Programming	**3,000**	**9,598**	3,239
Professional	**7,150**	**1,878**	5,816
Training and travel	**4,000**	**4,019**	3,392
Utilities	**15,000**	**13,161**	15,888
Wages and benefits	**131,000**	**144,333**	138,627
Total expenses	**201,239**	**216,501**	210,722
Excess (deficiency) of revenues over expenses for the year	**(11,539)**	**(18,368)**	500
Annual surplus (deficit)	**(11,539)**	**(18,368)**	500
Accumulated surplus, beginning of year	**99,650**	**99,650**	99,150
Accumulated surplus, end of year	**88,111**	**81,282**	99,650

See accompanying notes to the financial statements.

Marathon Centennial Public Library Board
Statement of Change in Net Financial Assets

Year ended December 31	**2017**	**2017**	2016
	Budget	**Actual**	Actual
	$	$	$
	[note 7]		
Annual surplus (deficit)	**(11,539)**	**(18,368)**	500
Acquisition of tangible capital assets	**(12,000)**	**(6,876)**	(18,569)
Amortization of tangible capital assets	**23,539**	**23,539**	20,197
Adjustment to tangible capital assets	**-**	**-**	(139)
Increase (decrease) in net financial assets	**-**	**(1,705)**	1,989
Net financial assets , beginning of year	**-**	**17,764**	15,775
Net financial assets, end of year	**-**	**16,059**	17,764

See accompanying notes to the financial statements.

Marathon Centennial Public Library Board
Statement of Cash Flows

Year ended December 31	**2017**	2016
	$	$
OPERATIONS		
Annual surplus (deficit)	**(18,368)**	500
Non-cash charges		
Amortization of tangible capital assets	**23,539**	20,197
Adjustment to tangible capital assets	**-**	(139)
	5,171	20,558
Net change in non-cash working capital balances		
Decrease (increase) in accounts receivable	**(1,291)**	2,425
Decrease (increase) in Harmonized Sales Tax recoverable	**3,344**	(894)
Decrease in accounts payable and accrued liabilities	**(3,316)**	(5,052)
Increase (decrease) in advance to The Corporation of the Town of Marathon	**(19,239)**	19,239
Cash provided by (used in) operating transactions	**(15,331)**	36,276
CAPITAL		
Acquisition of tangible capital assets	**(6,876)**	(18,569)
Cash used in capital transactions	**(6,876)**	(18,569)
Increase (decrease) in cash and cash equivalents	**(22,207)**	17,707
Opening cash and cash equivalents	**46,094**	28,387
Closing cash and cash equivalents	**23,887**	46,094

See accompanying notes to the financial statements.

Marathon Centennial Public Library Board
Notes to the Financial Statements
December 31, 2017

GENERAL

The Marathon Centennial Public Library Board is a Board of the Town of Marathon in the Province of Ontario, Canada. It conducts its operations guided by provisions of provincial and municipal statutes and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements of the Marathon Centennial Public Library Board are prepared by management in accordance with accounting policies generally accepted for the public sector as prescribed by the Public Sector Accounting Board ("PSAB") of CPA Canada.

Basis of accounting

Accrual accounting

Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

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. Tangible capital assets received as contributions are recorded at their fair value at the date of receipt. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer hardware	5 years
Furniture and equipment	10 years
Library collection	10 years
Library retrofit	10 years

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

Contributions of tangible capital assets

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

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of 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.

Cash and cash equivalents

Cash and cash equivalents consists of cash on deposit and cash on hand.

Reporting entity

The financial statements reflect the assets, liabilities, revenues and expenses of the Board.

Revenue recognition

Government grants are recognized when approved to the extent the related expenses have been incurred and collection can be reasonably assured.

User fees and other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

Deferred revenue

Deferred revenue is comprised of donations subject to externally imposed restrictions with respect to its use and the unspent portion of conditional grants.

Use of estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Board may undertake in the future. Significant accounting estimates include allowance for doubtful accounts. Actual results could differ from those estimates.

Budget figures

The operating budget approved by the Library Board for 2017 is reflected on the Statement of Operations and Accumulated Surplus. The budget established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be incurred over a number of years and therefore may not be comparable with the current year's actual expenses. Budget figures have been restated to be comparable with the PSAB reporting reflected in the actual results.

Marathon Centennial Public Library Board
Notes to the Financial Statements
December 31, 2017

2. RESERVE FUND

The reserve fund is being held by the Town in the amount of $nil [2016 - $2,780].

3. ACCUMULATED SURPLUS

	2017	2016
	$	$
General fund	**16,059**	17,764
Investment in tangible capital assets	**65,223**	81,886
Total surplus	**81,282**	99,650

4. COMMITMENTS

The organization leases various office equipment under operating leases. The future minimum annual lease payments over the next five years are as follows:

	$
2018	1,392
2019	1,392
2020	1,392
2021	1,392
2022	232
	5,800

Marathon Centennial Public Library Board
Notes to the Financial Statements
December 31, 2017

5. TANGIBLE CAPITAL ASSETS

	Library collection $	Library retrofit $	Computer hardware $	Furniture and equipment $	2017 Total $	2016 Total $
COST						
Balance, beginning of year	**148,280**	**13,378**	**21,167**	**11,562**	**194,387**	195,885
Add						
Additions during the year	**3,437**	**-**	**-**	**3,439**	**6,876**	18,569
Less						
Disposals during the year	**18,896**	**-**	**-**	**-**	**18,896**	16,158
Adjustments	**-**	**-**	**-**	**-**	**-**	3,909
Balance, end of year	**132,821**	**13,378**	**21,167**	**15,001**	**182,367**	194,387
ACCUMULATED AMORTIZATION						
Balance, beginning of year	**79,978**	**11,361**	**12,285**	**8,877**	**112,501**	112,510
Add						
Amortization during the year	**16,240**	**1,345**	**4,960**	**994**	**23,539**	20,197
Less						
Accumulated amortization on disposals	**18,896**	**-**	**-**	**-**	**18,896**	16,158
Adjustments	**-**	**-**	**-**	**-**	**-**	4,048
Balance, end of year	**77,322**	**12,706**	**17,245**	**9,871**	**117,144**	112,501
Net book value, end of year	**55,499**	**672**	**3,922**	**5,130**	**65,223**	81,886

Marathon Centennial Public Library Board
Notes to the Financial Statements
December 31, 2017

6. PENSION AGREEMENTS

The organization makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of 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. The amount contributed to OMERS for 2017 was $6,412 [2016 - $7,095] for current service.

7. BUDGET FIGURES

The operating budget approved by the Board for 2017 is reflected on the Consolidated Statement of Operations and Accumulated Surplus. The budget established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be incurred over a number of years and therefore may not be comparable with the current year's actual expenditures. The Board does not budget activity within reserves and reserve funds, with the exception being those transactions which affect either operations or capital investments. Budget figures have been restated to be comparable with the PSAB reporting reflected in the actual results. Below is a reconciliation of figures from the approved fiscal plan to the fiscal plan per the financial statements.

	Approved 2017 Budget $	PSAB Adjustment $	PSAB Adjusted Budget $
Revenues	**189,700**	**-**	**189,700**
Expenses	**189,700**	**11,539**	**201,239**
Annual deficit	**-**	**(11,539)**	**(11,539)**
Less:			
Acquisition of tangible capital assets	**-**	**(12,000)**	**(12,000)**
Add:			
Amortization of tangible capital assets	**-**	**23,539**	**23,539**
	-	**11,539**	**11,539**
Increase in net financial assets	**-**	**-**	**-**

8. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2017 financial statements.

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
979 Alloy Drive
Thunder Bay, ON
P7B5Z8

T (807) 345-6571
F (807) 345-0032
www.GrantThornton.ca

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Town of Marathon

We have audited the accompanying financial statements of the Cemetery Care and Maintenance Trust Fund of The Corporation of the Town of Marathon, which comprise the statement of financial position as at December 31, 2017, and the statement of operations and accumulated surplus and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit • Tax • Advisory
Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd

Grant Thornton

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Cemetery Care and Maintenance Trust Fund of The Corporation of the Town of Marathon as at December 31, 2017, and the results of its operations for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Thunder Bay, Canada
June 25, 2018

Chartered Professional Accountants
Licensed Public Accountants

The Corporation of the Town of Marathon
Cemetery Care and Maintenance Trust Fund
Statement of Financial Position

As at December 31	**2017**	2016
	$	$
FINANCIAL ASSETS		
Cash	**56,542**	54,574
Due from The Corporation of the Town of Marathon	**1,827**	1,432
	58,369	56,006
Accumulated surplus	**58,369**	56,006

See accompanying notes to the financial statements.

The Corporation of the Town of Marathon
Cemetery Care and Maintenance Trust Fund
Statement of Operations and Accumulated Surplus

Year ended December 31	**2017**	2016
	$	$
REVENUES		
Interest earned	**535**	430
Sale of plots and interments	**4,263**	3,121
Provision in lieu of portion of plot sales	**350**	850
Total revenues	**5,148**	4,401
EXPENSES		
Cemetery maintenance	**2,785**	2,051
NET REVENUES	**2,363**	2,350
Annual surplus	**2,363**	2,350
Accumulated surplus, beginning of year	**56,006**	53,656
Accumulated surplus, end of year	**58,369**	56,006

See accompanying notes to the financial statements.

The Corporation of the Town of Marathon
Cemetery Care and Maintenance Trust Fund
Statement of Cash Flows

Year ended December 31	**2017**	2016
	$	$
OPERATING ACTIVITIES		
Annual surplus	**2,363**	2,350
Net change in non-cash working capital balances		
Decrease (increase) in due from The Corporation of the Town of Marathon	**(395)**	1,280
Cash provided by operating activities	**1,968**	3,630
Increase in cash during year	**1,968**	3,630
Cash position, beginning of year	**54,574**	50,944
Cash position, end of year	**56,542**	54,574

See accompanying notes to the financial statements.

The Corporation of the Town of Marathon
Cemetery Care and Maintenance Trust Fund
Notes to the Financial Statements

December 31, 2017

1. NATURE OF BUSINESS

The Corporation of the Town of Marathon administers a perpetual care trust fund for the future care of the cemetery. The cemetery provides internment services for the benefit of the citizens of Marathon.

2. ACCOUNTING POLICY

Basis of accounting

Capital receipts, interest earned and expenses are reported on the accrual basis of accounting which recognizes revenues as they become available and measurable, and expenses as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

Consolidated Financial Statements

The Corporation of the Town of Marathon

December 31, 2018

The Corporation of the Town of Marathon
4 Hemlo Drive, P.O. Bag TM
Marathon, Ontario P0T 2E0
Phone: (807) 229-1340
Fax: (807) 229-1999
www.marathon.ca

Statement of Administrative Responsibility

The management of The Corporation of the Town of Marathon have prepared the accompanying consolidated financial statements and is responsible for their accuracy and integrity. These statements consolidate all operations for which the Municipality has legislative and financial responsibility. The consolidated financial statements have been prepared by management in accordance with the accounting principles generally accepted for the public sector as prescribed by the Public Sector Accounting Board [PSAB] of CPA Canada.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the administration has developed and maintains a system of internal control designed to provide reasonable assurance that Municipality's assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the consolidated financial statements.

Council reviews and approves the consolidated financial statements before such statements are submitted to the Ministry of Municipal Affairs and Housing and published for the residents of The Corporation of the Town of Marathon. The external auditors have access to, and meet with, Municipal Council to discuss their audit and the results of their examination.

The 2018 Financial Statements have been reported on by The Corporation of the Town of Marathon's external auditors, Grant Thornton LLP, the auditors appointed by Marathon Town Council. The auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the consolidated financial statements.

Daryl Skworchinski	Chuck Verbo	Rick Dumas
Chief Administrative Officer / Clerk	Finance & Administration Manger / Treasurer	Mayor

respect

Contents

	Page
Independent Auditor's Report	1 - 2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations and Accumulated Surplus	4
Consolidated Statement of Change in Net Financial Assets	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7 - 19
Schedule 1 - Consolidated Schedule of Accumulated Surplus	20
Schedule 2 - Consolidated Schedule of Tangible Capital Assets	21
Schedule 3 - Consolidated Schedule of Segment Disclosure	22 - 23
Consolidated Local Boards	
Public Library Board	
Independent Auditor's Report	24 - 25
Statement of Financial Position	26
Statement of Operations and Accumulated Surplus	27
Statement of Change in Net Financial Assets	28
Statement of Cash Flows	29
Notes to the Financial Statements	30 - 34
Trust Funds	
Independent Auditor's Report	35 - 36
Statement of Financial Position	37
Statement of Operations and Accumulated Surplus	38
Statement of Cash Flows	39
Notes to the Financial Statements	40

Grant Thornton

Grant Thornton LLP
Suite 300
979 Alloy Drive
Thunder Bay, ON
P7B 5Z8

T +1 807 345 6571
F +1 807 345 0032

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Town of Marathon

Opinion
We have audited the consolidated financial statements of The Corporation of the Town of Marathon ("the Town"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations and accumulated surplus, 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 financial position of The Corporation of the Town of Marathon as at December 31, 2018, and its results of operations, its changes in its net assets, 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 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 consolidated 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.

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

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 a 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.

©Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd. All rights reserved.

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.

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.

Grant Thornton LLP

Thunder Bay, Canada
June 24, 2019

Chartered Professional Accountants
Licensed Public Accountants

The Corporation of the Town of Marathon
Consolidated Statement of Financial Position

As at December 31	**2018**	2017
	$	$
FINANCIAL ASSETS		
Cash and cash equivalents *[note 3]*	**3,394,558**	2,379,603
Investments *[note 4]*	**4,272,734**	5,167,261
Taxes receivable *[note 5]*	**436,021**	631,331
User charges receivable	**55,405**	50,134
Accounts receivable	**686,000**	835,082
Total financial assets	**8,844,718**	9,063,411
LIABILITIES		
Accounts payable and accrued liabilities	**895,228**	796,179
Deferred revenue *[note 7]*	**371,548**	635,597
Debt *[note 8]*	**1,664,024**	1,779,155
Landfill closure and post-closure liability *[note 9]*	**530,153**	555,917
Total liabilities	**3,460,953**	3,766,848
NET FINANCIAL ASSETS	**5,383,765**	5,296,563
NON-FINANCIAL ASSETS		
Tangible capital assets - net *[schedule 2]*	**36,779,970**	36,796,783
Prepaid expenses	**8,651**	7,940
	36,788,621	36,804,723
Accumulated surplus *[schedule 1]*	**42,172,386**	42,101,286

See accompanying notes to the consolidated financial statements.

The Corporation of the Town of Marathon
Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31	2018 Budget $ *[note 14]*	2018 Actual $	2017 Actual $
REVENUES *[schedule 3]*			
Taxation	**4,845,877**	**4,871,992**	4,941,305
User charges			
Water and sewer	**1,227,148**	**1,214,441**	1,211,076
Other fees and service charges	**1,174,140**	**1,268,415**	1,277,430
	2,401,288	**2,482,856**	2,488,506
Government transfers			
Government of Canada	**872,029**	**613,253**	125,602
Province of Ontario	**2,565,087**	**2,723,430**	2,167,539
	3,437,116	**3,336,683**	2,293,141
Other			
Investment income	**97,819**	**142,062**	97,902
Penalties and interest on taxes	**137,703**	**159,364**	161,689
Gain (loss) on disposal of tangible capital assets	**5,000**	**(44,416)**	(758)
Sundry	**54,200**	**75,010**	83,233
	294,722	**332,020**	342,066
Total revenues	**10,979,003**	**11,023,551**	10,065,018
EXPENSES *[schedule 3]*			
General government	**1,899,292**	**2,354,885**	1,760,560
Protection to persons and property	**1,280,437**	**1,294,748**	1,657,643
Transportation services	**2,380,856**	**2,378,060**	2,121,323
Environmental services	**2,006,340**	**1,891,110**	1,732,489
Health services	**301,649**	**308,838**	274,347
Social and family services	**302,961**	**292,739**	308,321
Recreation and cultural services	**2,184,932**	**2,199,534**	2,081,561
Planning and development	**317,748**	**232,537**	265,646
	10,674,215	**10,952,451**	10,201,890
NET REVENUES (EXPENSES)	**304,788**	**71,100**	(136,872)
Annual surplus (deficit)	**304,788**	**71,100**	(136,872)
Accumulated surplus, beginning of year	**42,101,286**	**42,101,286**	42,238,158
Accumulated surplus, end of year	**42,406,074**	**42,172,386**	42,101,286

See accompanying notes to the consolidated financial statements.

The Corporation of the Town of Marathon
Consolidated Statement of Change in Net Financial Assets

Year ended December 31	**2018**	**2018**	2017
	Budget	**Actual**	Actual
	$	$	$
	[note 14]		
Annual surplus (deficit)	**304,788**	**71,100**	(136,872)
Acquisition of tangible capital assets	**(2,033,263)**	**(1,728,708)**	(865,986)
Amortization of tangible capital assets	**1,617,072**	**1,617,072**	1,601,434
Proceeds on disposal of tangible capital assets	**-**	**84,033**	31,625
Loss (gain) on disposal of tangible capital assets	**(5,000)**	**44,416**	758
Acquisition of prepaid expenses	**-**	**(8,651)**	(7,940)
Use of prepaid expenses	**-**	**7,940**	18,260
Increase (decrease) in net financial assets	**(116,403)**	**87,202**	641,279
Net financial assets, beginning of year	**5,296,563**	**5,296,563**	4,655,284
Net financial assets, end of year	**5,180,160**	**5,383,765**	5,296,563

See accompanying notes to the consolidated financial statements.

The Corporation of the Town of Marathon
Consolidated Statement of Cash Flows

Year ended December 31	**2018**	2017
	$	$
OPERATIONS		
Annual surplus (deficit)	**71,100**	(136,872)
Non-cash charges		
Amortization of tangible capital assets	**1,617,072**	1,601,434
Loss on disposal of tangible capital assets	**44,416**	758
Decrease in landfill closure and post-closure liability	**(25,764)**	(54,289)
	1,706,824	1,411,031
Net change in non-cash working capital balances		
Decrease in taxes receivable	**195,310**	1,037,137
Decrease (increase) in user charges receivable	**(5,271)**	3,556
Decrease (increase) in accounts receivable	**149,082**	(644,495)
Increase (decrease) in accounts payable and accrued liabilities	**99,049**	(907,033)
Increase (decrease) in deferred revenue	**(264,049)**	244,606
Decrease (increase) in prepaid expenses	**(711)**	10,320
Cash provided by operating transactions	**1,880,234**	1,155,122
CAPITAL		
Acquisition of tangible capital assets	**(1,728,708)**	(865,986)
Proceeds on disposal of tangible capital assets	**84,033**	31,625
Cash used in capital transactions	**(1,644,675)**	(834,361)
INVESTING		
Disposal (acquisition) of investments, net	**894,527**	(1,341,477)
Cash provided by (used in) investing transactions	**894,527**	(1,341,477)
FINANCING		
Repayment of long-term debt	**(115,131)**	(111,963)
Cash used in financing transactions	**(115,131)**	(111,963)
Increase (decrease) in cash and cash equivalents	**1,014,955**	(1,132,679)
Opening cash and cash equivalents	**2,379,603**	3,512,282
Closing cash and cash equivalents	**3,394,558**	2,379,603

See accompanying notes to the consolidated financial statements.

The Corporation of the Town of Marathon
Notes to the Consolidated Financial Statements
December 31, 2018

GENERAL

The Corporation of the Town of Marathon is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements of The Corporation of the Town of Marathon ("Town") are prepared by management in accordance with accounting policies generally accepted for the local government as prescribed by the Public Sector Accounting Board ("PSAB") of CPA Canada. The more significant of these accounting policies are as follows:

[a] Basis of consolidation

Reporting entity

These consolidated financial statements reflect the financial assets, liabilities, revenues and expenses, and accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations, local boards, and committees accountable for the administration of their financial affairs and resources, to the Town, and which are owned or controlled by the Town. Accordingly, the following are consolidated in these financial statements.

Marathon Centennial Public Library Board
Marathon Economic Development Corporation

All interfund balances and transactions have been eliminated.

Local boards

The financial activities of certain entities associated with the Town are not consolidated. The Town's contributions to these entities are recorded in the Consolidated Statement of Operations and Accumulated Surplus. The entities that are accounted for in this manner are:

Thunder Bay District Health Unit
The District of Thunder Bay Social Services Administration Board

Trust funds

Certain assets have been conveyed or assigned to the Town to be administered as directed by agreement or statute. The Town holds the assets for the benefit of and stand in fiduciary relationships to the beneficiaries, as a result, the trust funds and assets are excluded from these financial statements.

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 financial statements.

[b] Basis of accounting

Accrual accounting

The Town uses the accrual basis of accounting which recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent. The Town recognizes a liability until the obligation or conditions underlying the liability is partly or wholly satisfied and recognizes an asset until the future economic benefit underlying the asset is partly or wholly used or lost.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances in banks and credit unions.

Employee benefits

The Town accounts for its participation in the Ontario Municipal Employee Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. Obligations for sick leave under employee benefits payable are accrued as the employees render the services necessary to earn the benefits. Vacation pay and other post-employment benefits are charged to operations in the year earned.

Non-financial assets

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

[a] Tangible capital assets

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

Buildings	20 to 60 years
Land improvements	20 to 40 years
Machinery and equipment	10 to 30 years
Other	5 to 20 years
Transportation - roads and other structures	20 to 80 years
Underground and other networks	30 to 60 years
Vehicles	10 to 20 years

Amortization charged in the year of acquisition and in the year of disposal is based on the number of months the asset is in use in that year. Assets under construction are not amortized until the asset is available for productive use, at which time they are transferred to their respective tangible capital asset categories.

[b] Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

[c] Tangible capital assets recognized at nominal value

Assets for which there is a difficulty of determining a tenable valuation are assigned a nominal value of one dollar.

[d] Capitalization of interest

The Town has a policy of capitalizing borrowing costs incurred when financing the acquisition of a tangible capital asset, for those interest costs incurred up to the date the asset goes into use, per PS 3150.17.

[e] Leases

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

Taxation revenue

Taxes are recognized as assets and revenue when they meet the definition of an asset, are authorized and the taxable event occurs, which for property taxes is the period for which the tax is levied.

At each financial statement date, management evaluates the extent to which the taxes receivable are ultimately collectible and valuation allowances are used to reflect tax receivables at their net recoverable amount.

At each financial statement date, management evaluates the likelihood of having to repay taxes collected under tax measures that have been deemed authorized using the concept of legislative convention and recognizes a liability when required. Related refunds are accounted for in the period in which the change in estimate occurs.

Reserves and reserve funds

Council segregates its accumulated surplus into various categories including reserve and reserve funds which are specifically for future operating and capital purposes.

Revenue recognition

User charges and fees are recognized as revenue in the period in which the related services are performed. Amounts collected for which the related services have yet to be performed are recognized as a liability and recognized as revenue when the related services are performed.

Investment income earned on surplus funds are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the deferred revenue balance.

Funds received, other than government transfers and tax revenue, for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general purposes are accounted for as deferred revenue on the Consolidated Statement of Financial Position. The revenue is recognized in the Consolidated Statement of Operations and Accumulated Surplus in the year in which it is used for the specified purpose.

Government transfers

Government transfers are transfers of monetary assets or tangible capital assets from a government to an individual, an organization or another government that are not the result of an exchange transaction, expected to be repaid in the future or expected to produce a direct financial return. Government transfers received are recognized in the financial statements as a revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

Government transfers made to a recipient by the Town are recorded as an expense when they are authorized and the recipient meets all eligibility criteria.

The Town receives Gas Tax proceeds from the Federal Government through the Association of Municipalities of Ontario. These funds, by their nature are restricted in their use and, until applied to specific expenses, are recorded as deferred revenue. Amounts applied to qualifying projects are recorded as revenue in the fiscal period they are expended.

Use of estimates

The preparation of 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's historical experiences, best knowledge of current events and actions that the Town may undertake in the future. Significant accounting estimates include valuation allowance for accounts receivable, estimated useful lives of tangible capital assets, employee benefits payable and solid waste landfill closure and post-closure liabilities. Actual results could differ from these estimates.

Landfill closure and post-closure liability

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

2. CEMETERY CARE AND MAINTENANCE TRUST FUND

The only trust fund currently administered by the Town is the Cemetery Care and Maintenance Trust Fund. This trust fund which amounts to $62,869 [2017 - $58,369] has not been included in the Consolidated Statement of Financial Position nor has its operations been included in the Consolidated Statement of Operations and Accumulated Surplus.

3. CASH AND CASH EQUIVALENTS

The Town has available a line of credit of $1,500,000 [2017 - $1,500,000] for which the Town has provided a general security agreement of which $nil [2017 - $nil] was borrowed at year-end. Interest on the line of credit is calculated at bank prime less 0.75%.

4. INVESTMENTS

Investments consist of Guaranteed Investment Certificates of $2,883,333 [2017 - $3,798,604] maturing dates ranging from January, 2019 to August, 2019 yielding interest rates of 2.15% to 2.7% [2017 - 1.24% to 1.88%]. Investments in Bond and Equity Funds of $1,389,401 [2017 - $1,368,657] are held and administered by the One Investment Program.

The Corporation of the Town of Marathon
Notes to the Consolidated Financial Statements
December 31, 2018

5. TAXES RECEIVABLE

	2018 $	2017 $
Property and business taxes receivable	**5,855,021**	5,580,331
Allowance for property and business tax arrears	**(5,419,000)**	(4,949,000)
	436,021	631,331

6. PENSION AGREEMENTS

The Town makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of 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. The amount contributed to OMERS for 2018 was $242,778 [2017 - $224,497] for current service.

7. DEFERRED REVENUE

	2018 $	2017 $
Unearned Gas Tax proceeds	**325,614**	505,315
Unearned Provincial Grant - Healthy Kids	**-**	26,648
Other	**12,697**	11,997
Unearned Provincial Funding - Infrastructure	**-**	91,637
Province - Main Street Revitalization	**33,237**	-
	371,548	635,597

The continuity of deferred revenue is as follows:

	2018 $	2017 $
Balance, beginning of year	**635,597**	326,245
Gas Tax grant funding proceeds received	**221,339**	211,694
Gas Tax funding utilized	**(401,040)**	-
Conditional grant and other revenue received	**641,552**	127,586
Conditional grant and other revenue utilized	**(725,900)**	(29,928)
Balance, end of year	**371,548**	635,597

The Corporation of the Town of Marathon
Notes to the Consolidated Financial Statements
December 31, 2018

8. DEBT

[a] The balance of debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2018 $	2017 $
Ontario Infrastructure and Lands Corporation		
Debenture loan repayable in semi-annual payments of $82,161 including interest at 2.81% maturing October, 2030.	**1,664,024**	1,779,155
Long-term portion	**1,664,024**	1,779,155

[b] Principal due on debt over the next five years and thereafter, assuming the loan is refinanced under similar terms, is as follows:

	$
2019	118,389
2020	121,739
2021	125,184
2022	128,727
2023	132,369
Thereafter	1,037,616
	1,664,024

[c] The debenture in [a] issued in the name of the Town has been approved by By-law #1889. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ontario Ministry of Municipal Affairs and Housing.

[d] Total interest charges for debt reported on the Consolidated Statement of Operations and Accumulated Surplus are $48,391 [2017 - $51,559].

9. LANDFILL CLOSURE AND POST-CLOSURE

Legislation requires closure and post-closure care of solid waste and landfill sites. Closure costs include final covering and landscaping of the landfill and implementation of drainage and gas management plans. Post-closure care requirements include cap maintenance, groundwater monitoring, gas management system operations, inspections and annual reports.

The Town owns and operates one landfill site and one closed landfill site. The active landfill site was opened in July, 2015 covering 16.1 acres with a capacity of 256,688 tonnes. As at December 31, 2018, the remaining capacity of the site is estimated at 346,177 tonnes representing 90.5% of the total capacity. The open site is expected to close when it reaches its capacity in 2140.

The Corporation of the Town of Marathon
Notes to the Consolidated Financial Statements
December 31, 2018

The closure and post-closure costs for the open landfill site, and the post-closure costs for the closed site, are based upon best estimates by management. Post-closure care for the open landfill site is estimated to be required for 20 years from the date of closure. Post-closure care for the closed landfill site is estimated to be required until 2036.

The liability of $530,153 [2017 - $555,917] for closure and post-closure costs of the active site and the post-closure of the closed site, has been reported on the Consolidated Statement of Financial Position.

	2018 $	2017 $
[a] Operating landfill site (Camp 19)		
Expected year capacity will be reached	**2140**	2147
Estimated closure and post-closure costs over the next 122 years [2017 - 150 years]	**1,422,517**	1,169,723
Discount rate	**2.81 %**	2.81 %
Discounted cost	**334,415**	257,731
Capacity (tonnes):		
Used to date	**36,503**	33,969
Remaining	**346,177**	222,719
Total	**382,680**	256,688
Percent utilized	**9.54 %**	13.23 %
Liability based on the percentage utilized	**31,903**	34,107
[b] Closed landfill site (Penn Lake Road)		
Estimated closure and post-closure costs over the next 17 years [2017 - 18 years]	**531,664**	531,664
Discount rate	**2.81 %**	2.81 %
Liability based on discounted cost	**498,250**	521,810
Landfill closure and post-closure liability	**530,153**	555,917

The liability recognized in the financial statements is subject to measurement uncertainty. The recognized amounts are based on the Town's best information and judgement. The amount could change by more than a material amount in the long-term.

10. TANGIBLE CAPITAL ASSETS

Schedule 2 provides information on the tangible capital assets of the Town by major asset class, as well as accumulated amortization of the assets controlled.

There were $nil in write-downs of assets in 2018 [2017 - $nil].

Interest capitalized during 2018 was $nil [2017 - $nil].

There were no contributed tangible capital assets in 2018 [2017 - $nil].

There were no assets recorded at a nominal value in 2018 [2017 - $nil].

11. SEGMENTED INFORMATION

The Town of Marathon is a diversified municipal government institution that provides a wide range of services to its citizens, including police, fire, ambulance and water. For management reporting purposes the Town's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. Municipal services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

General government
General government services are comprised of various administrative services, including the Finance Department, Corporate Services Departments, and Mayor and Council.

Protection to persons and property
Protection to persons and property is comprised of police services, fire services and protective inspection and control. The police services are contracted from the Ontario Provincial Police. The Fire Services Department is responsible for fire suppression, fire prevention programs, training and education related to prevention, detection or extinguishment of fires. Protective inspection and control ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and bylaws for the protection of occupants.

Transportation services
Transportation services include roadways, winter control, parking and street lighting. Roadways covers the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, culverts and sidewalks. Winter control includes snowplowing, sanding and salting, snow removal and flood control. Street lighting plans, develops and maintains the street lighting system.

Environmental services
Environmental services consist of waterworks, sanitary sewer, waste collection and disposal and recycling. Waterworks provides drinking water to the citizens of Marathon. Sanitary sewer collects and treats wastewater. Waste collection and disposal and recycling includes the collection of solid waste, landfill site operations and waste minimization programs.

Health services
Health services includes public health services and ambulance services. Public health services represents the Town of Marathon's contribution to the activities of the Thunder Bay District Health Unit. The Thunder Bay District Health Unit provides health information and prevention-related clinical services; advocates for healthy public policy; investigates reportable diseases; and upholds regulations that apply to public health.

Social and family services
Social and family services represents the Town of Marathon's contribution to the activities of The District of Thunder Bay Social Services Administration Board (TBDSSAB). TBDSSAB is responsible for Ontario Works program delivery, child care services and social housing.

Recreation and cultural services
Recreation and cultural services include parks, recreation programs and facilities, public library and contributions to cultural organizations. The community services department provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services such as fitness and aquatic programs, the development and maintenance of various recreational facilities and the maintenance of parks and open spaces. The public library is dedicated to providing community access to local and global information resources that support lifelong learning, research and leisure activities. The Town makes contributions to various cultural organizations under specific funding programs.

Planning and development
The planning and development department manages urban development for business interest, environmental concerns, heritage matters and local neighbourhoods through city planning and community development and approval of all land development plans.

For additional information see the Consolidated Schedule of Segment Disclosure (Schedule 3).

12. RESERVES AND RESERVE FUNDS

The continuity of reserves and reserve funds, which make up a part of accumulated surplus noted in Schedule 1, is as follows:

	2018 $	2017 $
Reserves		
Balance, beginning of year	**3,894,216**	3,750,186
Increases		
Contributions to reserves	**168,919**	206,831
Decreases		
Contribution to operations	**135,296**	62,801
Balance, end of year	**3,927,839**	3,894,216
Reserve funds		
Balance, beginning of year	**3,036,878**	2,782,808
Increases		
Contributions to reserve funds	**148,870**	259,489
Interest earned	**48,052**	39,109
	196,922	298,598
Decreases		
Contributions to operations	**283,527**	44,528
Balance, end of year	**2,950,273**	3,036,878

Subsequent to year-end, the general fund surplus has been reduced by an amount of $157,449 transferred to the reserve for contingency as authorized by resolution on June 24, 2019. Had the reduction not been made, the balance of the general fund surplus would have been $865,930.

13. DESIGNATED ASSETS

Of the financial assets reported on the Consolidated Statement of Financial Position, the Council has designated $3,107,722 [2017 - $3,036,878] to support reserve funds.

The Corporation of the Town of Marathon
Notes to the Consolidated Financial Statements
December 31, 2018

14. BUDGET FIGURES

Public Sector Accounting Standards require a comparison of the results for the period with those originally planned on the same basis as that used for actual results. The fiscal plan in the Statement of Operations and Accumulated Surplus has been adjusted to be presented on a consistent basis as actual results. Below is a reconciliation of the figures from the approved fiscal plan to the fiscal plan per the financial statements:

	Approved Fiscal Plan	Adjustments	Fiscal Plan per Financial Statements
	$	$	$
Revenues			
Taxation	**4,845,877**	**-**	**4,845,877**
User charges	**2,401,288**	**-**	**2,401,288**
Government transfers	**3,437,116**	**-**	**3,437,116**
Other	**294,722**	**-**	**294,722**
	10,979,003	**-**	**10,979,003**
Expenses			
General government	**1,861,828**	**37,464**	**1,899,292**
Protection to persons and property	**1,218,203**	**62,234**	**1,280,437**
Transportation services	**1,703,873**	**676,983**	**2,380,856**
Environmental services	**1,504,906**	**501,434**	**2,006,340**
Health services	**267,662**	**33,987**	**301,649**
Social and family services	**302,961**	**-**	**302,961**
Recreation and cultural services	**1,944,991**	**239,941**	**2,184,932**
Planning and development	**278,483**	**39,265**	**317,748**
	9,082,907	**1,591,308**	**10,674,215**
Subtotal	**1,896,096**	**(1,591,308)**	**304,788** *
**** Annual Surplus***			
Transfer to Reserves	**(164,250)**	**-**	
Use of reserves	**416,548**	**-**	
Capital items	**(2,033,263)**	**-**	
Debt repayments	**(115,131)**	**-**	
Amortization	**-**	**1,617,072**	
Landfill	**-**	**(25,764)**	
Net surplus	**-**	**-**	

15. COMMITMENTS

The Town has certain multi-year service agreements and equipment operating leases. The future minimum annual payments over the next three years is as follows:

	$
2019	443,071
2020	50,720
2021	32,525
	526,316

The most significant commitment is the contract with Northern Waterwork Inc. to operate the municipality's water and wastewater facilities from January 1, 2014 to December 31, 2019.

16. RELATED PARTY TRANSACTIONS

The Town provides administrative services as well as water and labour services to Marathon Seniors Supportive Housing Corporation, a corporation with board members who are of the Town council. There have been no costs incurred for administrative services by the Corporation as at year-end.

	2018 $	**2017** $
Due from Marathon Seniors Supportive Housing Corporation	**1,754**	-

As at the year-end, the balance due from related party is as follows:

	2018 $	**2017** $
Due from Marathon Seniors Supportive Housing Corporation	**26,943**	-

The above balance has no specific terms of repayment and are non-interest bearing.

The Corporation of the Town of Marathon Schedule 1
Consolidated Schedule of Accumulated Surplus

Year ended December 31	**2018**	2017
	$	$
Surplus		
General Fund*	**708,481**	708,481
Investments in tangible capital assets	**36,779,970**	36,796,783
Unfunded		
Debt	**(1,664,024)**	(1,779,155)
Landfill closure and post-closure liability	**(530,153)**	(555,917)
Total surplus	**35,294,274**	35,170,192
Reserves set aside for specific purposes by Council		
For acquisition of capital assets	**1,496,537**	1,485,067
For contingency	**157,449**	-
For working capital	**2,273,853**	2,409,149
Total reserves	**3,927,839**	3,894,216
Reserve funds set aside for specific purposes by Council		
For acquisition of capital assets	**143,013**	117,092
For water and sewer operations	**2,789,626**	2,623,567
For development	**17,634**	17,348
For tax appeal	**-**	278,871
Total reserve funds	**2,950,273**	3,036,878
Accumulated surplus	**42,172,386**	42,101,286
***General Fund consists of:**		
Unexpended capital financing	**707,305**	691,601
Library	**1,176**	16,880
	708,481	708,481

The Corporation of the Town of Marathon

Schedule 2

Consolidated Schedule of Tangible Capital Assets

Year ended December 31, 2018

	General						Infrastructure			Totals	
	Land	Land Improvements	Buildings	Vehicles	Machinery and Equipment	Other	Roads and Other Structures	Underground and Other Networks	Assets Under Construction	2018	2017
	$	$	$	$	$	$	$	$	$	$	$
COST											
Balance, beginning of year	**4,286,219**	**11,348,191**	**13,475,293**	**4,930,904**	**3,390,160**	**602,055**	**17,796,681**	**17,133,236**	**24,931**	**72,987,670**	72,663,113
Add											
Additions during the year	**-**	**85,875**	**24,040**	**648,399**	**137,045**	**-**	**604,674**	**228,675**	**-**	**1,728,708**	865,986
Transfers	**-**	**-**	**-**	**-**	**-**	**-**	**24,931**	**-**	**(24,931)**	**-**	-
Less											
Disposals during the year	**-**	**-**	**-**	**309,611**	**-**	**19,506**	**15,100**	**-**	**-**	**344,217**	541,429
Balance, end of year	**4,286,219**	**11,434,066**	**13,499,333**	**5,269,692**	**3,527,205**	**582,549**	**18,411,186**	**17,361,911**	**-**	**74,372,161**	72,987,670
ACCUMULATED AMORTIZATION											
Balance, beginning of year	**-**	**6,350,460**	**7,904,059**	**2,387,584**	**1,973,030**	**417,074**	**9,184,654**	**7,974,026**	**-**	**36,190,887**	35,098,499
Add											
Amortization during the year	**-**	**166,294**	**347,025**	**153,099**	**107,530**	**50,310**	**497,321**	**295,493**	**-**	**1,617,072**	1,601,434
Less											
Accumulated amortization on disposals	**-**	**-**	**-**	**181,160**	**-**	**19,508**	**15,100**	**-**	**-**	**215,768**	509,046
Balance, end of year	**-**	**6,516,754**	**8,251,084**	**2,359,523**	**2,080,560**	**447,876**	**9,666,875**	**8,269,519**	**-**	**37,592,191**	36,190,887
Net book value, beginning of year	**4,286,219**	**4,997,731**	**5,571,234**	**2,543,320**	**1,417,130**	**184,981**	**8,612,027**	**9,159,210**	**24,931**	**36,796,783**	37,564,614
Net book value, end of year	**4,286,219**	**4,917,312**	**5,248,249**	**2,910,169**	**1,446,645**	**134,673**	**8,744,311**	**9,092,392**	**-**	**36,779,970**	36,796,783

The Corporation of the Town of Marathon
Consolidated Schedule of Segment Disclosure

Schedule 3

Year ended December 31, 2018

	General Government		Protection to Persons and Property		Transportation Services		Environmental Services		Health Services	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	$	$	$	$	$	$	$	$	$	$
Revenues										
Taxation	**4,871,992**	4,941,305	**-**	-	**-**	-	**-**	-	**-**	-
Government transfers	**2,320,061**	1,967,533	**48,563**	62,104	**588,806**	-	**118,064**	75,034	**-**	-
User fees and service charges	**31,530**	34,884	**134,345**	212,010	**260,413**	230,495	**1,491,419**	1,426,731	**130,517**	129,256
Other revenues	**189,958**	244,164	**-**	-	**-**	-	**-**	-	**-**	-
Interest income - general	**142,062**	97,902	**-**	-	**-**	-	**-**	-	**-**	-
	7,555,603	7,285,788	**182,908**	274,114	**849,219**	230,495	**1,609,483**	1,501,765	**130,517**	129,256
Expenses										
Salaries, wages and employee benefits	**958,226**	835,682	**306,021**	301,709	**956,791**	943,920	**377,115**	347,776	**23,347**	18,069
Debt charges	**48,391**	51,559	**-**	-	**-**	-	**-**	-	**-**	-
Materials	**1,164,790**	638,789	**148,910**	152,681	**528,092**	459,802	**404,399**	339,706	**24,201**	7,988
Contracted services	**121,800**	179,652	**777,583**	1,139,984	**211,093**	52,552	**582,398**	526,561	**47,918**	41,901
Rent and financials	**24,214**	11,362	**-**	-	**5,101**	4,839	**-**	-	**-**	-
External transfers	**-**	-	**-**	-	**-**	-	**-**	-	**179,385**	172,401
Amortization	**37,464**	43,516	**62,234**	63,269	**676,983**	660,210	**527,198**	518,446	**33,987**	33,988
	2,354,885	1,760,560	**1,294,748**	1,657,643	**2,378,060**	2,121,323	**1,891,110**	1,732,489	**308,838**	274,347
Annual surplus (deficit)	**5,200,718**	5,525,228	**(1,111,840)**	(1,383,529)	**(1,528,841)**	(1,890,828)	**(281,627)**	(230,724)	**(178,321)**	(145,091)

The Corporation of the Town of Marathon

Consolidated Schedule of Segment Disclosure

Year ended December 31, 2018

Schedule 3 (continued)

	Social and Family Services		Recreation and Cultural Services		Planning and Development		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	$	$	$	$	$	$	$	$
Revenues								
Taxation	**-**	-	**-**	-	-	-	**4,871,992**	4,941,305
Government transfers	**120,352**	116,369	**67,767**	61,101	**73,070**	11,000	**3,336,683**	2,293,141
User fees and service charges	**-**	-	**434,632**	455,130	**-**	-	**2,482,856**	2,488,506
Other revenues	**-**	-	**-**	-	**-**	-	**189,958**	244,164
Interest income - general	**-**	-	**-**	-	**-**	-	**142,062**	97,902
	120,352	116,369	**502,399**	516,231	**73,070**	11,000	**11,023,551**	10,065,018
Expenses								
Salaries, wages and employee benefits	**-**	-	**1,161,100**	1,070,311	**19,624**	132,695	**3,802,224**	3,650,162
Debt charges	**-**	-	**-**	-	**-**	-	**48,391**	51,559
Materials	**119,135**	116,369	**656,129**	658,651	**173,258**	93,025	**3,218,914**	2,467,011
Contracted services	**70**	5,000	**142,159**	109,230	**390**	1,016	**1,883,411**	2,055,896
Rent and financials	**-**	-	**205**	274	**-**	-	**29,520**	16,475
External transfers	**173,534**	186,952	**-**	-	**-**	-	**352,919**	359,353
Amortization	**-**	-	**239,941**	243,095	**39,265**	38,910	**1,617,072**	1,601,434
	292,739	308,321	**2,199,534**	2,081,561	**232,537**	265,646	**10,952,451**	10,201,890
Annual surplus (deficit)	**(172,387)**	(191,952)	**(1,697,135)**	(1,565,330)	**(159,467)**	(254,646)	**71,100**	(136,872)

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
Suite 300
979 Alloy Drive
Thunder Bay, ON
P7B 5Z8

T +1 807 345 6571
F +1 807 345 0032

To the Board Members, Members of Council, Inhabitants and Ratepayers of
The Corporation of the Town of Marathon

Qualified Opinion

We have audited the financial statements of Marathon Centennial Public Library Board ("the Library"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Marathon Centennial Public Library Board as at December 31, 2018, and its results of operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Library derives revenue from donations and user fees, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Library. Therefore, we were not able to determine whether any adjustments might be necessary to donations, user fees, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017, and net assets as at January 1 and December 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

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 Library 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 qualified opinion.

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

Management is responsible for the preparation and fair presentation of these 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.

©Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd. All rights reserved.

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

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

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 Library'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 Library'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 Library 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.

Grant Thornton LLP

Thunder Bay, Canada
June 24, 2019

Chartered Professional Accountants
Licensed Public Accountants

Marathon Centennial Public Library Board
Statement of Financial Position

As at December 31	**2018**	2017
	$	$
FINANCIAL ASSETS		
Cash and cash equivalents	**27,153**	23,887
Accounts receivable	**-**	1,291
Harmonized Sales Tax recoverable	**1,292**	1,517
Total financial assets	**28,445**	26,695
LIABILITIES		
Accounts payable and accrued liabilities	**25,182**	10,636
Deferred revenue	**2,087**	-
Total liabilities	**27,269**	10,636
NET FINANCIAL ASSETS	**1,176**	16,059
NON-FINANCIAL ASSETS		
Tangible capital assets - net *[note 4]*	**47,160**	65,223
Accumulated surplus *[note 2]*	**48,336**	81,282

See accompanying notes to the financial statements.

Marathon Centennial Public Library Board
Statement of Operations and Accumulated Surplus

Year ended December 31	**2018 Budget** $ *[note 6]*	**2018 Actual** $	2017 Actual $
REVENUES			
Municipal contribution	**133,500**	**133,600**	132,780
Grants	**37,000**	**42,300**	56,583
Other	**4,000**	**4,854**	8,770
Total revenues	**174,500**	**180,754**	198,133
EXPENSES			
Amortization	**18,063**	**18,063**	23,539
Equipment and circulation material	**12,600**	**23,575**	11,555
Office supplies	**8,290**	**8,353**	8,418
Professional	**5,310**	**1,920**	1,878
Programming	**3,500**	**5,031**	9,598
Training and travel	**3,000**	**2,573**	4,019
Utilities	**17,800**	**10,256**	13,161
Wages and benefits	**124,000**	**143,929**	144,333
Total expenses	**192,563**	**213,700**	216,501
Deficiency of revenues over expenses for the year	**(18,063)**	**(32,946)**	(18,368)
Annual deficit	**(18,063)**	**(32,946)**	(18,368)
Accumulated surplus, beginning of year	**81,282**	**81,282**	99,650
Accumulated surplus, end of year	**63,219**	**48,336**	81,282

See accompanying notes to the financial statements.

Marathon Centennial Public Library Board
Statement of Change in Net Financial Assets

Year ended December 31	**2018**	**2018**	2017
	Budget	**Actual**	Actual
	$	$	$
	[note 6]		
Annual deficit	**(18,063)**	**(32,946)**	(18,368)
Acquisition of tangible capital assets	**-**	**-**	(6,876)
Amortization of tangible capital assets	**18,063**	**18,063**	23,539
Decrease in net financial assets	**-**	**(14,883)**	(1,705)
Net financial assets, beginning of year	**-**	**16,059**	17,764
Net financial assets, end of year	**-**	**1,176**	16,059

See accompanying notes to the financial statements.

Marathon Centennial Public Library Board
Statement of Cash Flows

Year ended December 31	**2018**	2017
	$	$
OPERATIONS		
Annual deficit	**(32,946)**	(18,368)
Non-cash charges		
Amortization of tangible capital assets	**18,063**	23,539
	(14,883)	5,171
Net change in non-cash working capital balances		
Decrease (increase) in accounts receivable	**1,291**	(1,291)
Decrease in Harmonized Sales Tax recoverable	**225**	3,344
Increase (decrease) in accounts payable and accrued liabilities	**14,546**	(3,316)
Increase in deferred revenue	**2,087**	-
Decrease in advance from The Corporation of the Town of Marathon	**-**	(19,239)
Cash provided by (used in) operating transactions	**3,266**	(15,331)
CAPITAL		
Acquisition of tangible capital assets	**-**	(6,876)
Cash provided by (used in) capital transactions	**-**	(6,876)
Increase (decrease) in cash and cash equivalents	**3,266**	(22,207)
Opening cash and cash equivalents	**23,887**	46,094
Closing cash and cash equivalents	**27,153**	23,887

See accompanying notes to the financial statements.

Marathon Centennial Public Library Board
Notes to the Financial Statements
December 31, 2018

GENERAL

The Marathon Centennial Public Library Board is a Board of the Town of Marathon in the Province of Ontario, Canada. It conducts its operations guided by provisions of provincial and municipal statutes and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements of the Marathon Centennial Public Library Board are prepared by management in accordance with accounting policies generally accepted for the public sector as prescribed by the Public Sector Accounting Board ("PSAB") of CPA Canada.

Basis of accounting

Accrual accounting

Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

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. Tangible capital assets received as contributions are recorded at their fair value at the date of receipt. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer hardware	5 years
Furniture and equipment	10 years
Library collection	10 years
Library retrofit	10 years

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

Contributions of tangible capital assets

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

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of 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.

Marathon Centennial Public Library Board
Notes to the Financial Statements
December 31, 2018

Cash and cash equivalents

Cash and cash equivalents consists of cash on deposit and cash on hand.

Reporting entity

The financial statements reflect the assets, liabilities, revenues and expenses of the Board.

Revenue recognition

Government grants are recognized when approved to the extent the related expenses have been incurred and collection can be reasonably assured.

User fees and other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

Deferred revenue

Deferred revenue is comprised of donations subject to externally imposed restrictions with respect to its use and the unspent portion of conditional grants.

Use of estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Board may undertake in the future. Significant accounting estimates include allowance for doubtful accounts. Actual results could differ from those estimates.

Budget figures

The operating budget approved by the Library Board for 2018 is reflected on the Statement of Operations and Accumulated Surplus. The budget established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be incurred over a number of years and therefore may not be comparable with the current year's actual expenses. Budget figures have been restated to be comparable with the PSAB reporting reflected in the actual results.

Marathon Centennial Public Library Board
Notes to the Financial Statements
December 31, 2018

2. ACCUMULATED SURPLUS

	2018	2017
	$	$
General fund	**1,176**	16,059
Investment in tangible capital assets	**47,160**	65,223
Total surplus	**48,336**	81,282

3. COMMITMENTS

The Library leases various office equipment under operating leases. The future minimum annual lease payments over the next four years are as follows:

	$
2019	1,392
2020	1,392
2021	1,392
2022	232
	4,408

4. TANGIBLE CAPITAL ASSETS

	Library collection $	Library retrofit $	Computer hardware $	Furniture and equipment $	2018 Total $	2017 Total $
COST						
Balance, beginning of year	**132,821**	**13,378**	**21,167**	**15,001**	**182,367**	194,387
Add						
Additions during the year	**-**	**-**	**-**	**-**	**-**	6,876
Less						
Disposals during the year	**19,506**	**-**	**-**	**-**	**19,506**	18,896
Balance, end of year	**113,315**	**13,378**	**21,167**	**15,001**	**162,861**	182,367
ACCUMULATED AMORTIZATION						
Balance, beginning of year	**77,322**	**12,706**	**17,245**	**9,871**	**117,144**	112,501
Add						
Amortization during the year	**13,679**	**672**	**1,960**	**1,752**	**18,063**	23,539
Less						
Accumulated amortization on disposals	**19,506**	**-**	**-**	**-**	**19,506**	18,896
Balance, end of year	**71,495**	**13,378**	**19,205**	**11,623**	**115,701**	117,144
Net book value, end of year	**41,820**	**-**	**1,962**	**3,378**	**47,160**	65,223

Filed: 2020-08-04, EB-2019-0255, Schedule E, Page 79 of 410

Marathon Centennial Public Library Board
Notes to the Financial Statements
December 31, 2018

5. PENSION AGREEMENTS

The Library makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of 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. The amount contributed to OMERS for 2018 was $6,872 [2017 - $6,412] for current service.

6. BUDGET FIGURES

The operating budget approved by the Board for 2018 is reflected on the Consolidated Statement of Operations and Accumulated Surplus. The budget established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be incurred over a number of years and therefore may not be comparable with the current year's actual expenditures. The Board does not budget activity within reserves and reserve funds, with the exception being those transactions which affect either operations or capital investments. Budget figures have been restated to be comparable with the PSAB reporting reflected in the actual results. Below is a reconciliation of figures from the approved fiscal plan to the fiscal plan per the financial statements.

	Approved 2018 Budget $	PSAB Adjustment $	PSAB Adjusted Budget $
Revenues	**174,500**	**-**	**174,500**
Expenses	**174,500**	**18,063**	**192,563**
Annual deficit	**-**	**(18,063)**	**(18,063)**
Add:			
Amortization of tangible capital assets	**-**	**18,063**	**18,063**
Increase in net financial assets	**-**	**-**	**-**

Grant Thornton LLP
Suite 300
979 Alloy Drive
Thunder Bay, ON
P7B 5Z8

T +1 807 345 6571
F +1 807 345 0032

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Town of Marathon

Opinion

We have audited the accompanying financial statements of the Cemetery Care and Maintenance Trust Fund of The Corporation of the Town of Marathon ("the Entity"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and accumulated surplus, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of the Cemetery Care and Maintenance Trust Fund of The Corporation of the Town of Marathon as at December 31, 2018, and its results of operations, 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 Entity 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.

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

Management is responsible for the preparation and fair presentation of these 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 Entity's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Audit | Tax | Advisory
©Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd. All rights reserved.
grantthornton.ca

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 Entity'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 Entity'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 Entity 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.

Grant Thornton LLP

Thunder Bay, Canada
June 24, 2019

Chartered Professional Accountants
Licensed Public Accountants

The Corporation of the Town of Marathon
Cemetery Care and Maintenance Trust Fund
Statement of Financial Position

As at December 31	**2018**	2017
	$	$
FINANCIAL ASSETS		
Cash	**59,329**	56,542
Due from The Corporation of the Town of Marathon	**3,540**	1,827
	62,869	58,369
Accumulated surplus	**62,869**	58,369

See accompanying notes to the financial statements.

The Corporation of the Town of Marathon
Cemetery Care and Maintenance Trust Fund
Statement of Operations and Accumulated Surplus

Year ended December 31	**2018**	2017
	$	$
REVENUES		
Interest earned	**960**	535
Sale of plots and interments	**6,127**	4,263
Provision in lieu of portion of plot sales	**1,250**	350
Total revenues	**8,337**	5,148
EXPENSES		
Cemetery maintenance	**3,837**	2,785
NET REVENUES	**4,500**	2,363
Annual surplus	**4,500**	2,363
Accumulated surplus, beginning of year	**58,369**	56,006
Accumulated surplus, end of year	**62,869**	58,369

See accompanying notes to the financial statements.

The Corporation of the Town of Marathon
Cemetery Care and Maintenance Trust Fund
Statement of Cash Flows

Year ended December 31	**2018**	2017
	$	$
OPERATING ACTIVITIES		
Annual surplus	**4,500**	2,363
Net change in non-cash working capital balances		
(Increase) in due from The Corporation of the Town of Marathon	**(1,713)**	(395)
Cash provided by operating activities	**2,787**	1,968
Increase in cash during year	**2,787**	1,968
Cash position, beginning of year	**56,542**	54,574
Cash position, end of year	**59,329**	56,542

See accompanying notes to the financial statements.

The Corporation of the Town of Marathon
Cemetery Care and Maintenance Trust Fund
Notes to the Financial Statements

December 31, 2018

1. NATURE OF BUSINESS

The Corporation of the Town of Marathon administers a perpetual care trust fund for the future care of the cemetery. The cemetery provides internment services for the benefit of the citizens of Marathon.

2. ACCOUNTING POLICY

Basis of accounting

Capital receipts, interest earned and expenses are reported on the accrual basis of accounting which recognizes revenues as they become available and measurable, and expenses as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

Consolidated Financial Statements

The Corporation of the Township of Manitouwadge

December 31, 2017

The Corporation of the
TOWNSHIP OF MANITOUWADGE
1 Mississauga Drive
Manitouwadge, Ontario
P0T 2C0
Telephone (807) 826-3227 Fax (807) 826-4592

Statement of Administrative Responsibility

The management of The Corporation of the Township of Manitouwadge have prepared the accompanying financial statements and are responsible for their accuracy and integrity. These statements consolidate all operations for which the Township has legislative and financial responsibility. The financial statements have been prepared by management in accordance with the accounting principles generally accepted for the public sector as prescribed by the Public Sector Accounting Board [PSAB] of CPA Canada.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the administration has developed and maintains a system of internal control designed to provide reasonable assurance that Municipal assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the financial statements.

The Municipal Council reviews and approves the financial statements before such statements are submitted to the Ministry of Municipal Affairs and Housing and published for the residents of The Corporation of the Township of Manitouwadge. The external auditors have access to, and meet with Municipal Council to discuss their audit and the results of their examination.

The 2017 Financial Statements have been reported on by The Corporation of the Township of Manitouwadge's external auditors, Grant Thornton LLP, the auditors appointed by Municipal Council. The auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

Andy Major, Mayor

Margaret Hartling, CAO/Clerk - Treasurer

Contents

	Page
Independent Auditor's Report	1 - 2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations and Accumulated Surplus	4 - 5
Consolidated Statement of Changes in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 19
Schedule 1 - Consolidated Schedule of Accumulated Surplus	20
Schedule 2 - Consolidated Schedule of Tangible Capital Assets	21
Schedule 3 - Consolidated Schedule of Segment Disclosure	22 - 23
Trust Funds	
Independent Auditor's Report	24 - 25
Statement of Financial Position	26
Statement of Operations and Accumulated Surplus	27
Statement of Cash Flows	28
Notes to the Financial Statements	29

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
Suite 300
979 Alloy Drive
Thunder Bay, ON
P7B 5Z8

T +1 807 345 6571
F +1 807 345 0032
www.GrantThornton.ca

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Township of Manitouwadge

We have audited the accompanying consolidated financial statements of The Corporation of the Township of Manitouwadge, which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Audit • Tax • Advisory
Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd

Grant Thornton

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of the Township of Manitouwadge as at December 31, 2017, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Thunder Bay, Canada
September 12, 2018

Chartered Professional Accountants
Licensed Public Accountants

The Corporation of the Township of Manitouwadge
Consolidated Statement of Financial Position

As at December 31	**2017**	2016
	$	$
FINANCIAL ASSETS		
Cash and temporary investments	**6,461,200**	6,097,936
Taxes receivable *[note 3]*	**804,408**	787,183
Accounts receivable *[note 4]*	**461,289**	468,091
Total financial assets	**7,726,897**	7,353,210
LIABILITIES		
Accounts payable and accrued liabilities	**500,959**	497,077
Due to trust funds	**60,118**	59,317
Deferred revenue *[note 6]*	**704,162**	652,590
Landfill closure and post-closure liability *[note 8]*	**590,920**	531,167
Long-term debt *[note 9]*	**445,150**	623,210
Total liabilities	**2,301,309**	2,363,361
NET FINANCIAL ASSETS	**5,425,588**	4,989,849
NON-FINANCIAL ASSETS		
Tangible capital assets - net *[note 10] [schedule 2]*	**19,429,084**	19,594,679
Inventories	**1,018**	1,018
Prepaid expenses	**15,315**	17,282
	19,445,417	19,612,979
Accumulated surplus *[schedule 1]*	**24,871,005**	24,602,828

See accompanying notes to the consolidated financial statements.

The Corporation of the Township of Manitouwadge
Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31	2017 Budget $ *[note 15]*	2017 Actual $	2016 Actual $
REVENUES *[schedule 3]*			
Taxation			
Residential and farm taxation	**2,510,722**	**2,523,806**	2,475,997
Commercial and industrial	**926,317**	**925,317**	1,017,648
Taxation from other governments	**113,733**	**113,733**	93,645
	3,550,772	**3,562,856**	3,587,290
User charges			
User fees and service charges	**1,033,259**	**1,167,385**	1,145,167
	4,584,031	**4,730,241**	4,732,457
Government transfers			
Government of Canada	**130,263**	**195,232**	100,000
Province of Ontario	**1,790,189**	**1,727,148**	1,693,024
	1,920,452	**1,922,380**	1,793,024
Other			
Investment income	**7,500**	**10,151**	48,665
Other income	**313,232**	**188,814**	200,715
Penalties and interest on taxes	**70,000**	**147,680**	150,660
Rents and leases	**157,585**	**129,775**	144,691
	548,317	**476,420**	544,731
Total revenues	**7,052,800**	**7,129,041**	7,070,212

	2017 Budget $ *[note 15]*	2017 Actual $	2016 Actual $
EXPENSES ***[note 11] [schedule 3]***			
General government	**2,237,871**	**1,682,190**	1,142,483
Protection to persons and property	**910,863**	**872,488**	972,203
Transportation services	**1,604,925**	**1,403,609**	1,401,281
Environmental services	**1,569,357**	**1,456,309**	1,638,915
Health services	**82,902**	**84,070**	86,369
Social and family services	**66,100**	**66,087**	75,591
Recreation and cultural services	**1,239,070**	**1,141,717**	1,162,446
Planning and development	**98,564**	**38,881**	31,774
	7,809,652	**6,745,351**	6,511,062
NET REVENUES (EXPENSES) BEFORE UNDERNOTED ITEM	**(756,852)**	**383,690**	559,150
Other			
Loss on disposal of tangible capital assets	**-**	**(115,513)**	-
Annual surplus (deficit)	**(756,852)**	**268,177**	559,150
Accumulated surplus, beginning of year	**-**	**24,602,828**	24,043,678
Accumulated surplus (deficit) , end of year ***[schedule 1]***	**(756,852)**	**24,871,005**	24,602,828

See accompanying notes to the consolidated financial statements.

The Corporation of the Township of Manitouwadge
Consolidated Statement of Changes in Net Financial Assets

Year ended December 31	**2017**	**2017**	2016
	Budget	**Actual**	Actual
	$	$	$
	[note 15]		
Annual surplus (deficit)	**(756,852)**	**268,177**	559,150
Acquisition of tangible capital assets	**(1,319,929)**	**(1,136,007)**	(918,105)
Amortization of tangible capital assets	**1,186,089**	**1,186,089**	1,153,870
Loss disposal of tangible capital assets	**-**	**115,513**	-
Acquisition of prepaid expenses	**-**	**(15,315)**	(17,282)
Use of prepaid expenses	**-**	**17,282**	83,417
Increase (decrease) in net financial assets	**(890,692)**	**435,739**	861,050
Net financial assets, beginning of year	**-**	**4,989,849**	4,128,799
Net financial assets, end of year	**(890,692)**	**5,425,588**	4,989,849

See accompanying notes to the consolidated financial statements.

The Corporation of the Township of Manitouwadge
Consolidated Statement of Cash Flows

Year ended December 31	**2017**	2016
	$	$
OPERATIONS		
Annual surplus	**268,177**	559,150
Non-cash charges		
Amortization of tangible capital assets	**1,186,089**	1,153,870
Landfill closure and post-closure costs	**59,753**	74,705
Loss on disposal of tangible capital assets	**115,513**	-
	1,629,532	1,787,725
Net change in non-cash working capital balances		
Increase in taxes receivable	**(17,225)**	(151,441)
Decrease (increase) in accounts receivable	**6,802**	(142,435)
Increase (decrease) in accounts payable and accrued liabilities	**3,882**	(126,824)
Increase in due to trust funds	**801**	1,024
Increase in deferred revenue	**51,572**	134,944
Decrease in prepaid expenses	**1,967**	66,138
Cash provided by operating transactions	**1,677,331**	1,569,131
CAPITAL		
Acquisition of tangible capital assets	**(1,136,007)**	(918,105)
Repayment on long-term debt	**(178,060)**	(178,060)
Cash used in capital transactions	**(1,314,067)**	(1,096,165)
Increase in cash and temporary investments	**363,264**	472,966
Cash and temporary investments, beginning of year	**6,097,936**	5,624,970
Cash and temporary investments, end of year	**6,461,200**	6,097,936

See accompanying notes to the consolidated financial statements.

The Corporation of the Township of Manitouwadge
Notes to the Consolidated Financial Statements
December 31, 2017

GENERAL

The Corporation of the Township of Manitouwadge is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements of The Corporation of the Township of Manitouwadge are prepared by management in accordance with accounting principles generally accepted for local government, as prescribed by the Public Sector Accounting Board ("PSAB") of CPA Canada. The more significant of these accounting policies are as follows:

[a] Basis of consolidation

Reporting entity

These consolidated financial statements reflect the financial assets, liabilities, revenues and expenses, and accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations, local boards, and committees accountable for the administration of their financial affairs and resources, to the Township, and which are owned or controlled by the Township. Accordingly, the following are consolidated in these financial statements.

Manitouwadge Public Library Board

All interfund balances and transactions have been eliminated.

Local boards

The financial activities of certain entities associated with the Township are not consolidated. The Township's contribution to these entities are recorded in the Consolidated Statement of Operations and Accumulated Surplus. The entities that are accounted for in this manner are:

Thunder Bay District Health Unit
The District of Thunder Bay Social Services Administration Board

Trust funds

Certain assets have been conveyed or assigned to the Township to be administered as directed by agreement or statute. The Township holds the assets for the benefit of and stand in fiduciary relationship to the beneficiaries, as a result, the trust funds and assets are excluded from the financial statements.

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.

[b] Basis of accounting

Accrual accounting

The Township uses the accrual basis of accounting which recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent. It recognizes a liability until the obligation or conditions underlying the liability is partly or wholly satisfied and recognizes an asset until the future economic benefit underlying the asset is partly or wholly used or lost.

Cash and temporary investments

Cash and temporary investments consist of cash on hand, balances in banks and investments in mutual funds.

Pension and employee benefits

The Township accounts for its participation in the Ontario Municipal Employee Retirement System (OMERS), a multi-employer defined benefit plan, as a defined contribution plan. Obligations for sick leave under employee benefits payable are accrued as the employees render services necessary to earn the benefits. Vacation pay and other post-employment benefits are charged to operations in the year earned.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the deficiency of revenues over expenses, provides the change in net financial assets for the year.

[a] Tangible capital assets

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

Buildings	15 to 40 years
Infrastructure	15 to 50 years
Land improvements	10 years
Library collections	10 years
Machinery and equipment	5 to 20 years
Office equipment	5 to 20 years
Vehicles	10 to 25 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use, at which time they are transferred to their respective tangible capital asset categories.

[b] Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

[c] Tangible capital assets recognized at nominal value

Certain assets have been assigned a nominal value of one dollar, because of the difficulty of determining a tenable valuation. The most significant of such assets are the Township's road allowances.

[d] Capitalization of interest

The Township has a policy of capitalizing borrowing costs incurred when financing the acquisition of a tangible capital asset, for those interest costs incurred up to the date the asset goes into use.

[e] Leases

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

[f] Inventories

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

Reserves and reserve funds

Council segregates its accumulated surplus into various categories including reserves which are specifically for future operating and capital purposes.

Taxation revenue

Taxes are recognized as assets and revenue when they meet the definition of an asset, are authorized and the taxable event occurs, which for property taxes is the period for which the tax is levied.

At each financial statement date, management evaluates the extent to which its tax receivables are ultimately collectible and valuation allowances are used to reflect tax receivables at their net recoverable amount.

At each financial statement date, management evaluates the likelihood of having to repay taxes collected under tax measures that have been deemed authorized using the concept of legislative convention and recognizes a liability when required. Related refunds are accounted for in the period in which the change in estimate occurs.

Government transfers

Government transfers are transfers of monetary assets or tangible capital assets from a government to an individual, an organization or another government that are not the result of an exchange transaction, expected to be repaid in the future or expected to produce a direct financial return. Government transfers received are recognized in the financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

Government transfers made to a recipient by the Township are recorded as an expense when they are authorized and the recipient meets all eligibility criteria.

The Township receives Gas Tax proceeds from the Federal Government through the Association of Municipalities of Ontario. These funds, by their nature, are restricted in their use and, until applied to specific expenses, are recorded as deferred revenue. Amounts applied to qualifying projects are recorded as revenue in the fiscal period they are expended.

Revenue recognition

User charges and fees are recognized as revenue in the period in which the related services are performed. Amounts collected for which the related services have yet to be performed are recognized as a liability and recognized as revenue when the related services are performed.

Investment income earned on surplus funds is recognized in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the deferred revenue balance.

Funds received, other than government transfers and tax revenue, for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general purposes are accounted for as deferred revenue on the Consolidated Statement of Financial Position. The revenue is recognized in the Consolidated Statement of Operations and Accumulated Surplus in the year in which it is used for the specified purpose.

Use of estimates

The preparation of 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Township may undertake in the future. Significant accounting estimates include valuation allowance for accounts receivable, estimated useful lives of tangible capital assets, employee benefits payable and solid waste landfill closure and post-closure liabilities. Actual results could differ from these estimates.

Landfill closure and post-closure liability

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

The Corporation of the Township of Manitouwadge
Notes to the Consolidated Financial Statements
December 31, 2017

2. TRUST FUNDS

Trust funds administered by the Township amounting to $65,153 [2016 - $64,349] have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus.

3. TAXES RECEIVABLE

	2017 $	2016 $
Property and business taxes receivable	**1,297,052**	1,085,509
Allowance for property and business tax arrears	**(492,644)**	(298,326)
	804,408	787,183

4. ACCOUNTS RECEIVABLE

	2017 $	2016 $
Trade receivables	**257,871**	310,281
Water receivables	**230,829**	199,753
Allowance for doubtful trade receivables	**(20,000)**	(32,657)
Allowance for doubtful water receivables	**(7,411)**	(9,286)
	461,289	468,091

5. TEMPORARY LOANS

The Township has available a line of credit of $1,000,000 [2016 - $1,000,000] for which the Township has provided a borrowing by-law and signed advisory letter of which $nil [2016 - $nil] was borrowed at year-end. Interest on the line of credit is calculated at bank prime [3.2% at year-end].

The Corporation of the Township of Manitouwadge
Notes to the Consolidated Financial Statements
December 31, 2017

6. DEFERRED REVENUE

	2017	2016
	$	$
Obligatory reserve funds		
Gas Tax revenue	**543,118**	594,160
Other deferred revenue		
Restricted deposits	**1,700**	3,930
Grants	**159,344**	54,500
	704,162	652,590

The continuity of deferred revenue is as follows:

	Government Transfer	**Other**	**Total 2017**	Total 2016
	$	$	$	$
Balance, beginning of year	**594,160**	**58,430**	**652,590**	517,646
Investment income	**13,926**	**-**	**13,926**	3,672
Gas Tax proceeds	**130,264**	**-**	**130,264**	127,997
Amounts deferred during the year	**-**	**161,044**	**161,044**	58,430
Other amounts earned during the year	**(195,232)**	**(58,430)**	**(253,662)**	(55,155)
Balance, end of year	**543,118**	**161,044**	**704,162**	652,590

7. PENSION AGREEMENTS

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

Effective January 1, 2015, contribution rates ranged from 9.0% to 15.9% depending on the proposed retirement age and the level of earnings. As a result, $118,802 [2016 - $143,362] was contributed to OMERS in the current year.

8. LANDFILL CLOSURE AND POST-CLOSURE

The Township operates a landfill site. The obligation to close and maintain solid waste landfill sites is based on the estimated future expenses in current dollars, adjusted for estimated inflation and is charged to expenses as the landfill site's capacity is used. The Township completed an updated engineering study during the year to assist in the computation of the required closure and post-closure liability. The remaining useful life of the site has been determined to be 29 years, with an anticipated closure date of 2046 and an estimated remaining capacity of 136,376 cubic metres. Post-closure care is estimated to continue for a period of approximately 30 years. The estimated liability is the present value for future cash flows associated with the closure and post-closure care discounted using a rate of 3.9% [2016 - 3.9%] for closure costs and 3.9% [2016 - 3.9%] for post-closure cost discounting. The change in the recorded liability is $59,753 [2016 - $74,705] based on a total estimated undiscounted outflow in the future of $3,101,930 [2016 - $2,968,630], leaving an amount to be recognized in the future of $2,511,010 [2016 - $2,437,463] over the closure and post-closure period. Management's estimated accrued liability for these costs of $590,920 [2016 - $531,167] is included as a liability on the Consolidated Statement of Financial Position. The liability is expected to be funded through budget allocations to a landfill reserve over the remaining life of the landfill.

An amount of $336,168 [2016 - $311,635] has been provided in the landfill closure and post-closure care reserve to fund this liability and future landfill expansion [Schedule 1].

9. LONG-TERM DEBT

[a] The balance of debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2017	2016
	$	$
OSIFA		
Semi-annually payments of $89,030 plus interest at annual rate of 3.9%, with a term of 10 years and set to mature on June 15, 2020. 623,210		**445,150**

[b] Principal due on debt is summarized as follows:

	$
2018	178,060
2019	178,060
2020	89,030
	445,150

[c] Commencing in December, 2005, the Township applied for and received funding from OSIFA to finance its water and sewer infrastructure upgrade project. The terms of the financing allow for the Township to convert the borrowings into debentures at the conclusion of the capital project. Until such time as the borrowings are converted, there are no fixed repayment terms, but interest will be applied on the outstanding loan balance.

[d] There was interest on long-term debt in the current year of $22,564 [2016 - $29,594] reflected in the Consolidated Statement of Operations and Accumulated Surplus as expense in environmental services.

10. TANGIBLE CAPITAL ASSETS

Schedule 2 provides information on the tangible capital assets of the Township by major asset class, as well as accumulated amortization of the assets controlled.

There were no write-downs of assets in 2017 [2016 - $nil].

Interest capitalized during 2017 was $nil [2016 - $nil].

There were no contributed tangible capital assets in 2017 [2016 - $nil].

Certain assets have been recorded at a nominal value on adoption of tangible capital assets due to the difficulty in determining an appropriate value. Municipal lands along with numerous furnishings are assigned nominal values. The total of assets so valued in 2017 was $18 [2016 - $18].

11. SEGMENTED INFORMATION

The Township of Manitouwadge is a diversified municipal government institution that provides a wide range of services to its citizens, including police, fire, health care, ambulance, public transit and water. For management reporting purposes the Government's operations and activities are organized and reported by department. The annual budget is distributed based on department activity and size. The Township has two main reserve funds, operating and capital for their respective purposes.

Township services are provided by departments and their activities are reported in the consolidated financial statements. Certain departments that have been separately disclosed in the segmented information schedule, along with the services they provide, as follows:

General government
General government segment is comprised of three categories; governance, corporate management and program support. These categories encompass the Clerk / Manager's office, Mayor and Council, Elections, Treasury, budgets and bill collection.

Protection to persons and property
Township policing is provided under contract by the Ontario Provincial Police. The fire department is responsible for providing fire suppression service; fire prevention programs; training and education related to prevention, and detection or extinguishment of fires. The Protection to persons and property segment also includes activities related to municipal by-law enforcement.

Transportation services
The Transportation department is responsible for providing local public transportation service. Public works is involved with the planning, development and maintenance of municipal roads and streets, street lighting and the municipal airport.

Environmental services
The Water and Waste department consists of three distinct utilities - water, wastewater and solid waste disposal. The department provides drinking water to citizens of Manitouwadge, collecting and treating wastewater, and providing collection disposal and waste minimization programs and facilities for solid waste.

Health services
Health services include ambulance and other public health services as well as management of the Township cemetery. The Township contracts its ambulance services out but maintains the cemetery internally as part of this segment.

Social and family services
This segment includes transfers for funding related to welfare, child care and social assistance. The Township provides assistance to those in need of counseling or in need of funding to help maintain a healthy living standard.

Recreation and cultural services
The Community Services department provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services such as fitness programs, a municipal pool and arena, golf course and ski hill. The department also contributes towards the information needs of the Township's citizens through the provision of library services.

Planning and development
The Planning department provides a diverse bundle of services. It manages urban development for business interests, environmental concerns and heritage matters through Township planning and community development. It ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-law for the protection of occupants. It facilitates economic development by providing services for the approval of all land development plans and the processing of building permits applications.

For additional information see the Consolidated Schedule of Segment Disclosure [Schedule 3].

The Corporation of the Township of Manitouwadge
Notes to the Consolidated Financial Statements
December 31, 2017

12. RESERVES AND RESERVE FUNDS

The continuity of reserves which make up a part of accumulated surplus in Schedule 1 is as follows:

	2017 $	2016 $
Reserves		
Balance, beginning of year	**1,226,638**	1,302,230
Increases		
Transfer to reserves	**49,656**	123,000
Decreases		
Transfer from reserves	**109,035**	198,592
Balance, end of year	**1,167,259**	1,226,638
Reserve funds		
Balance, beginning of year	**4,935,888**	4,168,736
Increases		
Transfer to reserves	**1,171,983**	818,677
Interest earned	**74,119**	76,017
Unrealized loss on investment	**(78,861)**	(54,664)
Interfund allocation of interest	**(17,482)**	6,980
	1,149,759	847,010
Decreases		
Transfers from reserves	**774,915**	79,858
Balance, end of year	**5,310,732**	4,935,888

13. DESIGNATED ASSETS

Of the financial assets reported on the Consolidated Statement of Financial Position, the Council has designated $5,310,732 [2016 - $4,935,888] to support reserve funds.

14. CONTRACTUAL OBLIGATIONS

Ontario Clean Water Agency

In accordance with a service agreement entered into by the Township with the Ontario Clean Water Agency (“Agency”) , the operation of the Township's water and wastewater treatment system is operated by the Agency. Included in the Statement of Operations and Accumulated Surplus are the 2017 charges from the Agency of $299,299 [2016 - $236,121]. The estimated operating cost for this water services for 2018 is approximately $299,139.

15. BUDGET FIGURES

Public Sector Accounting Standards require a comparison of the results for the period with those originally planned on the same basis as that used for actual results. The fiscal plan in the Consolidated Statement of Operations and Accumulated Surplus has been adjusted to be presented on a consistent basis as actual results. Below is a reconciliation of the figures from the approved fiscal plan to the fiscal plan per the financial statements.

	Approved Fiscal Plan $	Adjustments $	Fiscal Plan per Financial Statements $
Revenues			
Taxation	**3,703,762**	**(152,990)**	**3,550,772**
User charges	**1,033,259**	**-**	**1,033,259**
Government transfers	**1,920,452**	**-**	**1,920,452**
Other	**2,679,998**	**(2,131,681)**	**548,317**
	9,337,471	**(2,284,671)**	**7,052,800**
Expenses			
General government	**2,658,357**	**(420,486)**	**2,237,871**
Protection to persons and property	**1,536,267**	**(625,404)**	**910,863**
Transportation services	**1,816,980**	**(212,055)**	**1,604,925**
Environmental services	**1,723,220**	**(153,863)**	**1,569,357**
Health services	**82,902**	**-**	**82,902**
Social and family services	**66,100**	**-**	**66,100**
Recreation and cultural services	**1,356,890**	**(117,820)**	**1,239,070**
Planning and development	**96,755**	**1,809**	**98,564**
	9,337,471	**(1,527,819)**	**7,809,652**
Annual surplus	**-**	**(756,852)**	**(756,852)**
Interfund transfers	**(1,068,752)**	**(1,068,752)**	
Capital items	**-**	**1,319,929**	
Debt repayments	**178,060**	**178,060**	
Amortization	**-**	**(1,186,089)**	
Approved surplus	**(890,692)**	**(756,852)**	

16. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2017 consolidated financial statements.

The Corporation of the Township of Manitouwadge
Schedule 1
Consolidated Schedule of Accumulated Surplus

Year ended December 31	**2017**	2016
	$	$
Investment in tangible capital assets	**19,429,084**	19,594,679
Unfunded		
Long-term debt	**(445,150)**	(623,210)
Landfill closure and post-closure liabilities	**(590,920)**	(531,167)
Total surpluses	**18,393,014**	18,440,302
Reserves set aside for specific purposes by Council		
For working capital	**134,194**	134,194
For recreation programs and facilities	**123,600**	123,600
For replacement of equipment and capital projects	**554,142**	609,554
For other projects	**355,323**	359,290
Total reserves	**1,167,259**	1,226,638
Reserve funds set aside for specific purposes by Council		
For assessment appeals	**1,445,080**	1,147,580
For recreation programs and facilities	**448,424**	348,947
For replacement of equipment and capital projects	**1,954,213**	2,146,593
For landfill closure and post-closure care	**336,168**	311,635
For contingencies	**1,126,847**	981,133
Total reserve funds	**5,310,732**	4,935,888
Accumulated surplus	**24,871,005**	24,602,828

The Corporation of the Township of Manitouwadge
Consolidated Schedule of Tangible Capital Assets
Year ended December 31, 2017

Schedule 2

	General						Infrastructure			Totals	
	Land $	Land Improvements $	Buildings $	Vehicles $	Library Collections $	Assets Under Construction $	Machinery Equipment $	Underground and Other Networks $	Office Equipment $	2017 $	2016 $
COST											
Balance, beginning of year	**97,467**	**864,784**	**10,771,745**	**1,361,675**	**78,142**	**-**	**4,923,720**	**34,032,340**	**136,892**	**52,266,765**	51,355,364
Add											
Additions during the year	**-**	**-**	**109,801**	**778,951**	**10,755**	**-**	**236,500**	**-**	**-**	**1,136,007**	918,105
Less											
Disposals in the year	**-**	**-**	**252,144**	**-**	**7,747**	**-**	**-**	**-**	**-**	**259,891**	6,704
Balance, end of year	**97,467**	**864,784**	**10,629,402**	**2,140,626**	**81,150**	**-**	**5,160,220**	**34,032,340**	**136,892**	**53,142,881**	52,266,765
ACCUMULATED AMORTIZATION											
Balance, beginning of year	**-**	**832,800**	**7,225,213**	**1,122,712**	**39,993**	**-**	**3,176,144**	**20,145,435**	**129,789**	**32,672,086**	31,524,920
Add											
Amortization during the year	**-**	**3,561**	**254,839**	**44,801**	**8,890**	**-**	**155,270**	**716,745**	**1,983**	**1,186,089**	1,153,870
Less											
Disposals in the year	**-**	**-**	**136,631**	**-**	**7,747**	**-**	**-**	**-**	**-**	**144,378**	6,704
Balance, end of year	**-**	**836,361**	**7,343,421**	**1,167,513**	**41,136**	**-**	**3,331,414**	**20,862,180**	**131,772**	**33,713,797**	32,672,086
Net book value, beginning of year	**97,467**	**31,984**	**3,546,532**	**238,963**	**38,149**	**-**	**1,747,576**	**13,886,905**	**7,103**	**19,594,679**	19,830,444
Net book value, end of year	**97,467**	**28,423**	**3,285,981**	**973,113**	**40,014**	**-**	**1,828,806**	**13,170,160**	**5,120**	**19,429,084**	19,594,679

The Corporation of the Township of Manitouwadge

Schedule 3

Consolidated Schedule of Segment Disclosure

Year ended December 31, 2017

	General Government		Protection to Persons and Property		Transportation Services		Environmental Services		Health Services	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$	$	$	$	$	$	$	$	$	$
Revenues										
Taxation	**3,562,856**	3,587,290	**-**	-	**-**	-	**-**	-	**-**	-
Government transfers	**-**	-	**-**	-	**195,232**	-	**-**	-	**-**	-
Provincial grants	**1,674,000**	1,621,500	**19,422**	12,611	**-**	-	**18,805**	56,038	**-**	-
User fees and service charges	**7,088**	6,193	**19,425**	11,584	**92,462**	143,113	**884,733**	843,096	**-**	-
Investment income	**10,151**	48,665	**-**	-	**-**	-	**-**	-	**-**	-
Other income	**188,814**	200,715	**-**	-	**-**	-	**-**	-	**-**	-
Penalties and interest on taxes	**147,680**	150,660	**-**	-	**-**	-	**-**	-	**-**	-
Rents and leases	**125,209**	141,555	**-**	-	**-**	-	**-**	-	**-**	-
	5,715,798	5,756,578	**38,847**	24,195	**287,694**	143,113	**903,538**	899,134	**-**	-
Expenses										
Salaries, wages and employee benefits	**488,726**	466,576	**260,656**	261,392	**662,873**	673,833	**162,998**	276,431	**3,046**	5,313
Long-term debt charges	**-**	-	**-**	-	**-**	-	**18,912**	40,677	**-**	-
Materials	**975,162**	509,609	**82,264**	68,924	**324,689**	318,988	**760,836**	788,379	**-**	509
Contracted services	**86,073**	87,927	**474,300**	590,880	**-**	-	**-**	-	**35,412**	34,939
Rent and financials	**44,453**	13,309	**-**	-	**2,603**	2,561	**-**	19,065	**-**	-
External transfers to others	**-**	-	**-**	-	**-**	-	**-**	-	**45,612**	45,608
Amortization	**87,776**	65,062	**55,268**	51,007	**413,444**	405,899	**513,563**	514,363	**-**	-
	1,682,190	1,142,483	**872,488**	972,203	**1,403,609**	1,401,281	**1,456,309**	1,638,915	**84,070**	86,369
Net revenue (expenses) before undernoted item	**4,033,608**	4,614,095	**(833,641)**	(948,008)	**(1,115,915)**	(1,258,168)	**(552,771)**	(739,781)	**(84,070)**	(86,369)
Loss on disposal of tangible capital assets	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Annual surplus (deficit)	**4,033,608**	4,614,095	**(833,641)**	(948,008)	**(1,115,915)**	(1,258,168)	**(552,771)**	(739,781)	**(84,070)**	(86,369)

The Corporation of the Township of Manitouwadge

Schedule 3 (continued)

Consolidated Schedule of Segment Disclosure

Year ended December 31, 2017

	Social and Family Services		Recreation and Cultural Services		Planning and Development		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$	$	$	$	$	$	$	$
Revenues								
Taxation	**-**	-	**-**	-	**-**	-	**3,562,856**	3,587,290
Government transfers	**-**	-	**-**	100,000	**-**	-	**195,232**	100,000
Provincial grants	**-**	-	**14,921**	-	**-**	2,875	**1,727,148**	1,693,024
User fees and service charges	**-**	-	**163,280**	136,397	**397**	4,784	**1,167,385**	1,145,167
Investment income	**-**	-	**-**	-	**-**	-	**10,151**	48,665
Other income	**-**	-	**-**	-	**-**	-	**188,814**	200,715
Penalties and interest on taxes	**-**	-	**-**	-	**-**	-	**147,680**	150,660
Rents and leases	**-**	-	**4,566**	3,136	**-**	-	**129,775**	144,691
	-	-	**182,767**	239,533	**397**	7,659	**7,129,041**	7,070,212
Expenses								
Salaries, wages and employee benefits	**-**	-	**603,050**	637,489	**3,700**	2,972	**2,185,049**	2,324,006
Long-term debt charges	**-**	-	**-**	-	**-**	-	**18,912**	40,677
Materials	**-**	-	**424,438**	415,471	**33,372**	26,993	**2,600,761**	2,128,873
Contracted services	**-**	-	**-**	-	**-**	-	**595,785**	713,746
Rent and financials	**-**	-	**-**	-	**-**	-	**47,056**	34,935
External transfers to others	**66,087**	69,347	**-**	-	**-**	-	**111,699**	114,955
Amortization	**-**	6,244	**114,229**	109,486	**1,809**	1,809	**1,186,089**	1,153,870
	66,087	75,591	**1,141,717**	1,162,446	**38,881**	31,774	**6,745,351**	6,511,062
Net revenue (expenses) before undernoted item	**(66,087)**	(75,591)	**(958,950)**	(922,913)	**(38,484)**	(24,115)	**383,690**	559,150
Loss on disposal of tangible capital assets	**-** -	**(115,513)**	-	**-**	-	**-**	-	**(115,513)**	-
Annual surplus (deficit)	**-** -	**(181,600)**	(75,591)	**(958,950)**	(922,913)	**(38,484)**	(24,115)	**268,177**	559,150

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
979 Alloy Drive
Thunder Bay, ON
P7B5Z8

T (807) 345-6571
F (807) 345-0032
www.GrantThornton.ca

To the Committee Members, Members of Council,
Inhabitants and Ratepayers of The Corporation of the
Township of Manitouwadge

We have audited the accompanying financial statements of the Trust Funds of The Corporation of the Township of Manitouwadge which comprise the statement of financial position as at December 31, 2017 and the statements of operations and accumulated surplus and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Grant Thornton

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trust Funds of The Corporation of the Township of Manitouwadge as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Thunder Bay, Canada
September 12, 2018

Chartered Professional Accountants
Licensed Public Accountants

The Corporation of the Township of Manitouwadge
Trust Funds
Statement of Financial Position

As at December 31	**2017**	2016
	$	$
FINANCIAL ASSETS		
Cash	5,035	5,032
Due from The Corporation of the Township of Manitouwadge	60,118	59,317
NET FINANCIAL ASSETS	**65,153**	64,349
ACCUMULATED SURPLUS	**65,153**	64,349

See accompanying notes to the financial statements.

The Corporation of the Township of Manitouwadge
Trust Funds
Statement of Operations and Accumulated Surplus

Year ended December 31	**2017**	2016
	$	$
REVENUES		
Portion of sales	**900**	600
Interest	**(96)**	430
	804	1,030
Annual surplus	**804**	1,030
Accumulated surplus, beginning of year	**64,349**	63,319
Accumulated surplus, end of year	**65,153**	64,349

See accompanying notes to the financial statements.

The Corporation of the Township of Manitouwadge
Trust Funds
Statement of Cash Flows

Year ended December 31	**2017**	2016
	$	$
OPERATING ACTIVITIES		
Annual surplus	**804**	1,030
Net changes in non-cash under capital balance		
Due to The Corporation of the Township of Manitouwadge	**(801)**	(1,028)
Increase in cash during year	**3**	2
Cash, beginning of year	**5,032**	5,030
Cash, end of year	**5,035**	5,032

See accompanying notes to the financial statements.

The Corporation of the Township of Manitouwadge
Trust Funds
Notes to the Financial Statements
December 31, 2017

1. NATURE OF BUSINESS

The Corporation of the Township of Manitouwadge administers a perpetual care trust fund for the future care of the cemetery. The cemetery provides internment services for the benefit of the citizens of Manitouwadge.

2. ACCOUNTING POLICY

Accrual accounting

The Township uses the accrual basis of accounting which recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent. It recognizes a liability until the obligation or conditions underlying the liability is partly or wholly satisfied and recognizes an asset until the future economic benefit underlying the asset is partly or wholly used or lost.

Grant Thornton

Consolidated Financial Statements

The Corporation of the Township of Manitouwadge

December 31, 2018

The Corporation of the
TOWNSHIP OF MANITOUWADGE
1 Mississauga Drive
Manitouwadge, Ontario
P0T 2C0
Telephone (807) 826-3227 Fax (807) 826-4592

Statement of Administrative Responsibility

The management of The Corporation of the Township of Manitouwadge have prepared the accompanying financial statements and are responsible for their accuracy and integrity. These statements consolidate all operations for which the Township has legislative and financial responsibility. The financial statements have been prepared by management in accordance with the accounting principles generally accepted for the public sector as prescribed by the Public Sector Accounting Board [PSAB] of CPA Canada.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the administration has developed and maintains a system of internal control designed to provide reasonable assurance that Municipal assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the financial statements.

The Municipal Council reviews and approves the financial statements before such statements are submitted to the Ministry of Municipal Affairs and Housing and published for the residents of The Corporation of the Township of Manitouwadge. The external auditors have access to, and meet with Municipal Council to discuss their audit and the results of their examination.

The 2018 Financial Statements have been reported on by The Corporation of the Township of Manitouwadge's external auditors, Grant Thornton LLP, the auditors appointed by Municipal Council. The auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

John MacEachern
Mayor

Margaret Hartling,
CAO/Clerk - Treasurer

Contents

	Page
Independent Auditor's Report	1 - 2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations and Accumulated Surplus	4 - 5
Consolidated Statement of Changes in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 19
Schedule 1 - Consolidated Schedule of Accumulated Surplus	20
Schedule 2 - Consolidated Schedule of Tangible Capital Assets	21
Schedule 3 - Consolidated Schedule of Segment Disclosure	22 - 23
Trust Funds	
Independent Auditor's Report	24 - 25
Statement of Financial Position	26
Statement of Operations and Accumulated Surplus	27
Statement of Cash Flows	28
Notes to the Financial Statements	29

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
Suite 300
979 Alloy Drive
Thunder Bay, ON
P7B 5Z8

T +1 807 345 6571
F +1 807 345 0032

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Township of Manitouwadge

Opinion
We have audited the consolidated financial statements of The Corporation of the Township of Manitouwadge ("the Township"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations and accumulated surplus, 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 Corporation of the Township of Manitouwadge as at December 31, 2018, and its results of consolidated operations, it's consolidated changes in net financial assets, and its consolidated 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 Township in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation consolidated of 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 Township's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Township or to cease operations, or has no realistic alternative but to do so.

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

©Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd. All rights reserved.

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 Township'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 Township'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 Township 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 Township and the organizations it controls 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.

Grant Thornton LLP

Thunder Bay, Canada
July 10, 2019

Chartered Professional Accountants
Licensed Public Accountants

The Corporation of the Township of Manitouwadge
Consolidated Statement of Financial Position

As at December 31	2018	2017
	$	$
FINANCIAL ASSETS		
Cash and temporary investments	**7,512,957**	6,461,200
Taxes receivable *[note 3]*	**624,156**	804,408
Accounts receivable *[note 4]*	**554,587**	461,289
Total financial assets	**8,691,700**	7,726,897
LIABILITIES		
Accounts payable and accrued liabilities	**440,945**	500,959
Due to trust funds	**63,000**	60,118
Deferred revenue *[note 6]*	**1,126,586**	704,162
Landfill closure and post-closure liability *[note 8]*	**745,627**	590,920
Long-term debt *[note 9]*	**267,090**	445,150
Total liabilities	**2,643,248**	2,301,309
NET FINANCIAL ASSETS	**6,048,452**	5,425,588
NON-FINANCIAL ASSETS		
Tangible capital assets - net *[note 10] [schedule 2]*	**19,446,742**	19,429,084
Inventories	**1,018**	1,018
Prepaid expenses	**96,766**	15,315
	19,544,526	19,445,417
Accumulated surplus *[schedule 1]*	**25,592,978**	24,871,005

See accompanying notes to the consolidated financial statements.

The Corporation of the Township of Manitouwadge
Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31	2018 Budget $ *[note 15]*	2018 Actual $	2017 Actual $
REVENUES *[schedule 3]*			
Taxation			
Residential and farm taxation	**2,636,253**	**2,660,018**	2,523,806
Commercial and industrial	**1,004,688**	**1,004,688**	925,317
Taxation from other governments	**105,694**	**105,694**	113,733
	3,746,635	**3,770,400**	3,562,856
User charges			
User fees and service charges	**1,055,540**	**1,217,975**	1,167,385
	4,802,175	**4,988,375**	4,730,241
Government transfers			
Government of Canada	**134,090**	**336,490**	195,232
Province of Ontario	**3,220,770**	**2,065,294**	1,727,148
	3,354,860	**2,401,784**	1,922,380
Other			
Investment income	**10,000**	**162,224**	10,151
Other income	**288,880**	**495,547**	188,814
Penalties and interest on taxes	**80,000**	**162,891**	147,680
Rents and leases	**104,457**	**166,302**	129,775
	483,337	**986,964**	476,420
Total revenues	**8,640,372**	**8,377,123**	7,129,041

	2018 Budget $ *[note 15]*	2018 Actual $	2017 Actual $
EXPENSES *[note 11] [schedule 3]*			
General government	**1,666,035**	**2,167,668**	1,682,190
Protection to persons and property	**879,485**	**865,145**	872,488
Transportation services	**1,711,526**	**1,464,440**	1,403,609
Environmental services	**1,565,691**	**1,700,635**	1,456,309
Health services	**93,168**	**90,402**	84,070
Social and family services	**62,900**	**61,245**	66,087
Recreation and cultural services	**1,273,365**	**1,214,765**	1,141,717
Planning and development	**79,119**	**90,850**	38,881
	7,331,289	**7,655,150**	6,745,351
NET REVENUES BEFORE UNDERNOTED ITEM	**1,309,083**	**721,973**	383,690
Other			
Loss on disposal of tangible capital assets	-	-	(115,513)
Annual surplus	**1,309,083**	**721,973**	268,177
Accumulated surplus, beginning of year	**24,871,005**	**24,871,005**	24,602,828
Accumulated surplus, end of year *[schedule 1]*	**26,180,088**	**25,592,978**	24,871,005

See accompanying notes to the consolidated financial statements.

The Corporation of the Township of Manitouwadge
Consolidated Statement of Changes in Net Financial Assets

Year ended December 31	2018 Budget $ *[note 15]*	2018 Actual $	2017 Actual $
Annual surplus	**1,309,083**	**721,973**	268,177
Acquisition of tangible capital assets	**(3,239,660)**	**(1,242,492)**	(1,136,007)
Amortization of tangible capital assets	**1,224,834**	**1,224,834**	1,186,089
Loss disposal of tangible capital assets	**-**	**-**	115,513
Acquisition of prepaid expenses	**-**	**(96,766)**	(15,315)
Use of prepaid expenses	**-**	**15,315**	17,282
Increase (decrease) in net financial assets	**(705,743)**	**622,864**	435,739
Net financial assets, beginning of year	**5,425,588**	**5,425,588**	4,989,849
Net financial assets, end of year	**4,719,845**	**6,048,452**	5,425,588

See accompanying notes to the consolidated financial statements.

The Corporation of the Township of Manitouwadge
Consolidated Statement of Cash Flows

Year ended December 31	2018	2017
	$	$
OPERATIONS		
Annual surplus	**721,973**	268,177
Non-cash charges		
Amortization of tangible capital assets	**1,224,834**	1,186,089
Landfill closure and post-closure costs	**154,707**	59,753
Loss on disposal of tangible capital assets	**-**	115,513
	2,101,514	1,629,532
Net change in non-cash working capital balances		
Decrease (Increase) in taxes receivable	**180,252**	(17,225)
Decrease (increase) in accounts receivable	**(93,298)**	6,802
Increase (decrease) in accounts payable and accrued liabilities	**(60,014)**	3,882
Increase in due to trust funds	**2,882**	801
Increase in deferred revenue	**422,424**	51,572
Decrease (increase) in prepaid expenses	**(81,451)**	1,967
Cash provided by operating transactions	**2,472,309**	1,677,331
CAPITAL		
Acquisition of tangible capital assets	**(1,242,492)**	(1,136,007)
Repayment on long-term debt	**(178,060)**	(178,060)
Cash used in capital transactions	**(1,420,552)**	(1,314,067)
Increase in cash and temporary investments	**1,051,757**	363,264
Cash and temporary investments, beginning of year	**6,461,200**	6,097,936
Cash and temporary investments, end of year	**7,512,957**	6,461,200

See accompanying notes to the consolidated financial statements.

The Corporation of the Township of Manitouwadge
Notes to the Consolidated Financial Statements
December 31, 2018

GENERAL

The Corporation of the Township of Manitouwadge is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements of The Corporation of the Township of Manitouwadge are prepared by management in accordance with accounting principles generally accepted for local government, as prescribed by the Public Sector Accounting Board ("PSAB") of CPA Canada. The more significant of these accounting policies are as follows:

[a] Basis of consolidation

Reporting entity

These consolidated financial statements reflect the financial assets, liabilities, revenues and expenses, and accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations, local boards, and committees accountable for the administration of their financial affairs and resources, to the Township, and which are owned or controlled by the Township. Accordingly, the following are consolidated in these financial statements.

Manitouwadge Public Library Board

All interfund balances and transactions have been eliminated.

Local boards

The financial activities of certain entities associated with the Township are not consolidated. The Township's contribution to these entities are recorded in the Consolidated Statement of Operations and Accumulated Surplus. The entities that are accounted for in this manner are:

Thunder Bay District Health Unit
The District of Thunder Bay Social Services Administration Board

Trust funds

Certain assets have been conveyed or assigned to the Township to be administered as directed by agreement or statute. The Township holds the assets for the benefit of and stand in fiduciary relationship to the beneficiaries, as a result, the trust funds and assets are excluded from the financial statements.

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.

[b] Basis of accounting

Accrual accounting

The Township uses the accrual basis of accounting which recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent. It recognizes a liability until the obligation or conditions underlying the liability is partly or wholly satisfied and recognizes an asset until the future economic benefit underlying the asset is partly or wholly used or lost.

Cash and temporary investments

Cash and temporary investments consist of cash on hand, balances in banks and investments in mutual funds.

Pension and employee benefits

The Township accounts for its participation in the Ontario Municipal Employee Retirement System (OMERS), a multi-employer defined benefit plan, as a defined contribution plan. Obligations for sick leave under employee benefits payable are accrued as the employees render services necessary to earn the benefits. Vacation pay and other post-employment benefits are charged to operations in the year earned.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the deficiency of revenues over expenses, provides the change in net financial assets for the year.

[a] Tangible capital assets

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

Buildings	15 to 40 years
Infrastructure	15 to 50 years
Land improvements	10 years
Library collections	10 years
Machinery and equipment	5 to 20 years
Office equipment	5 to 20 years
Vehicles	10 to 25 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use, at which time they are transferred to their respective tangible capital asset categories.

[b] Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

[c] Tangible capital assets recognized at nominal value

Certain assets have been assigned a nominal value of one dollar, because of the difficulty of determining a tenable valuation. The most significant of such assets are the Township's road allowances.

[d] Capitalization of interest

The Township has a policy of capitalizing borrowing costs incurred when financing the acquisition of a tangible capital asset, for those interest costs incurred up to the date the asset goes into use.

[e] Leases

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

[f] Inventories

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

Reserves and reserve funds

Council segregates its accumulated surplus into various categories including reserves which are specifically for future operating and capital purposes.

Taxation revenue

Taxes are recognized as assets and revenue when they meet the definition of an asset, are authorized and the taxable event occurs, which for property taxes is the period for which the tax is levied.

At each financial statement date, management evaluates the extent to which its tax receivables are ultimately collectible and valuation allowances are used to reflect tax receivables at their net recoverable amount.

At each financial statement date, management evaluates the likelihood of having to repay taxes collected under tax measures that have been deemed authorized using the concept of legislative convention and recognizes a liability when required. Related refunds are accounted for in the period in which the change in estimate occurs.

Government transfers

Government transfers are transfers of monetary assets or tangible capital assets from a government to an individual, an organization or another government that are not the result of an exchange transaction, expected to be repaid in the future or expected to produce a direct financial return. Government transfers received are recognized in the financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

Government transfers made to a recipient by the Township are recorded as an expense when they are authorized and the recipient meets all eligibility criteria.

The Township receives Gas Tax proceeds from the Federal Government through the Association of Municipalities of Ontario. These funds, by their nature, are restricted in their use and, until applied to specific expenses, are recorded as deferred revenue. Amounts applied to qualifying projects are recorded as revenue in the fiscal period they are expended.

Revenue recognition

User charges and fees are recognized as revenue in the period in which the related services are performed. Amounts collected for which the related services have yet to be performed are recognized as a liability and recognized as revenue when the related services are performed.

Investment income earned on surplus funds is recognized in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the deferred revenue balance.

Funds received, other than government transfers and tax revenue, for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general purposes are accounted for as deferred revenue on the Consolidated Statement of Financial Position. The revenue is recognized in the Consolidated Statement of Operations and Accumulated Surplus in the year in which it is used for the specified purpose.

Use of estimates

The preparation of 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Township may undertake in the future. Significant accounting estimates include valuation allowance for accounts receivable, estimated useful lives of tangible capital assets, employee benefits payable and solid waste landfill closure and post-closure liabilities. Actual results could differ from these estimates.

Landfill closure and post-closure liability

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

The Corporation of the Township of Manitouwadge
Notes to the Consolidated Financial Statements
December 31, 2018

2. TRUST FUNDS

Trust funds administered by the Township amounting to $68,037 [2017 - $65,153] have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus.

3. TAXES RECEIVABLE

	2018 $	2017 $
Property and business taxes receivable	**1,290,403**	1,297,052
Allowance for property and business tax arrears	**(666,247)**	(492,644)
	624,156	804,408

4. ACCOUNTS RECEIVABLE

	2018 $	2017 $
Receivables	**333,520**	257,871
Water receivables	**248,478**	230,829
Allowance for doubtful receivables	**(20,000)**	(20,000)
Allowance for doubtful water receivables	**(7,411)**	(7,411)
	554,587	461,289

5. TEMPORARY LOANS

The Township has available a line of credit of $1,000,000 [2017 - $1,000,000] for which the Township has provided a borrowing by-law and signed advisory letter of which $nil [2017 - $nil] was borrowed at year-end. Interest on the line of credit is calculated at bank prime [3.95 % at year-end].

6. DEFERRED REVENUE

	2018 $	2017 $
Obligatory reserve funds		
Gas Tax revenue	**349,692**	543,118
Other deferred revenue		
Restricted deposits	**1,700**	1,700
Grants	**150,345**	159,344
OCIF - Water treatment plant renovations	**624,849**	-
	1,126,586	704,162

The continuity of deferred revenue is as follows:

	Government Transfer $	Other $	Total 2018 $	Total 2017 $
Balance, beginning of year	**543,118**	**161,044**	**704,162**	652,590
Investment income	**8,972**	**-**	**8,972**	13,926
Gas Tax proceeds	**134,092**	**-**	**134,092**	130,264
Gas Tax revenue earned	**(336,490)**	**-**	**(336,490)**	(195,232)
Other income received in year	**663,300**	**166,678**	**829,978**	161,044
Other amounts earned during the year	**(38,451)**	**(175,677)**	**(214,128)**	(58,430)
Balance, end of year	**974,541**	**152,045**	**1,126,586**	704,162

7. PENSION AGREEMENTS

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

Effective January 1, 2015, contribution rates ranged from 9.0% to 15.9% depending on the proposed retirement age and the level of earnings. As a result, $124,523 [2017 - $118,802] was contributed to OMERS in the current year.

8. LANDFILL CLOSURE AND POST-CLOSURE

The Township operates a landfill site. The obligation to close and maintain solid waste landfill sites is based on the estimated future expenses in current dollars, adjusted for estimated inflation and is charged to expenses as the landfill site's capacity is used. The Township completed an updated engineering study during the year to assist in the computation of the required closure and post-closure liability. The remaining useful life of the site has been determined to be 28 years, with an anticipated closure date of 2046 and an estimated remaining capacity of 131,729 cubic metres. Post-closure care is estimated to continue for a period of approximately 30 years. The estimated liability is the present value for future cash flows associated with the closure and post-closure care discounted using a rate of 3.9% [2017 - 3.9%] for closure costs and 3.9% [2017 - 3.9%] for post-closure cost discounting. The change in the recorded liability is $154,707 [2017 - $59,753] based on a total estimated undiscounted outflow in the future of $3,678,379 [2017 - $3,101,930], leaving an amount to be recognized in the future of $2,932,752 [2017 - $2,511,010] over the closure and post-closure period. Management's estimated accrued liability for these costs of $745,627 [2017 - $590,920] is included as a liability on the Consolidated Statement of Financial Position. The liability is expected to be funded through budget allocations to a landfill reserve over the remaining life of the landfill.

An amount of $366,244 [2017 - $336,168] has been provided in the landfill closure and post-closure care reserve to fund this liability and future landfill expansion [Schedule 1].

9. LONG-TERM DEBT

[a] The balance of debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2018 $	2017 $
OSIFA		
Semi-annually payments of $89,030 plus interest at annual rate of 3.9%, with a term of 10 years and set to mature on June 15, 2020.	**267,090**	445,150

[b] Principal due on debt is summarized as follows:

	$
2019	178,060
2020	89,030
	267,090

[c] Commencing in December, 2005, the Township applied for and received funding from OSIFA to finance its water and sewer infrastructure upgrade project. The terms of the financing allow for the Township to convert the borrowings into debentures at the conclusion of the capital project. Until such time as the borrowings are converted, there are no fixed repayment terms, but interest will be applied on the outstanding loan balance.

[d] There was interest on long-term debt in the current year of $15,696 [2017 - $22,564] reflected in the Consolidated Statement of Operations and Accumulated Surplus as expense in environmental services.

10. TANGIBLE CAPITAL ASSETS

Schedule 2 provides information on the tangible capital assets of the Township by major asset class, as well as accumulated amortization of the assets controlled.

There were no write-downs of assets in 2018 [2017 - $nil].

Interest capitalized during 2018 was $nil [2017 - $nil].

There were no contributed tangible capital assets in 2018 [2017 - $nil].

Certain assets have been recorded at a nominal value on adoption of tangible capital assets due to the difficulty in determining an appropriate value. Municipal lands along with numerous furnishings are assigned nominal values. The total of assets so valued in 2018 was $18 [2017 - $18].

11. SEGMENTED INFORMATION

The Township of Manitouwadge is a diversified municipal government institution that provides a wide range of services to its citizens, including police, fire, health care, ambulance, public transit and water. For management reporting purposes the Government's operations and activities are organized and reported by department. The annual budget is distributed based on department activity and size. The Township has two main reserve funds, operating and capital for their respective purposes.

Township services are provided by departments and their activities are reported in the consolidated financial statements. Certain departments that have been separately disclosed in the segmented information schedule, along with the services they provide, as follows:

General government
General government segment is comprised of three categories; governance, corporate management and program support. These categories encompass the Clerk / Manager's office, Mayor and Council, Elections, Treasury, budgets and bill collection.

Protection to persons and property
Township policing is provided under contract by the Ontario Provincial Police. The fire department is responsible for providing fire suppression service; fire prevention programs; training and education related to prevention, and detection or extinguishment of fires. The Protection to persons and property segment also includes activities related to municipal by-law enforcement.

Transportation services
The Transportation department is responsible for providing local public transportation service. Public works is involved with the planning, development and maintenance of municipal roads and streets, street lighting and the municipal airport.

Environmental services
The Water and Waste department consists of three distinct utilities - water, wastewater and solid waste disposal. The department provides drinking water to citizens of Manitouwadge, collecting and treating wastewater, and providing collection disposal and waste minimization programs and facilities for solid waste.

Health services
Health services include ambulance and other public health services as well as management of the Township cemetery. The Township contracts its ambulance services out but maintains the cemetery internally as part of this segment.

Social and family services
This segment includes transfers for funding related to welfare, child care and social assistance. The Township provides assistance to those in need of counseling or in need of funding to help maintain a healthy living standard.

Recreation and cultural services
The Community Services department provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services such as fitness programs, a municipal pool and arena, golf course and ski hill. The department also contributes towards the information needs of the Township's citizens through the provision of library services.

Planning and development
The Planning department provides a diverse bundle of services. It manages urban development for business interests, environmental concerns and heritage matters through Township planning and community development. It ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-law for the protection of occupants. It facilitates economic development by providing services for the approval of all land development plans and the processing of building permits applications.

For additional information see the Consolidated Schedule of Segment Disclosure [Schedule 3].

12. RESERVES AND RESERVE FUNDS

The continuity of reserves and reserve funds which make up a part of accumulated surplus in Schedule 1 is as follows:

	2018 $	2017 $
Reserves		
Balance, beginning of year	**1,167,259**	1,226,638
Increases		
Transfer to reserves	**376,670**	49,656
Decreases		
Transfer from reserves	**220,241**	109,035
Balance, end of year	**1,323,688**	1,167,259
Reserve funds		
Balance, beginning of year	**5,310,732**	4,935,888
Increases		
Transfer to reserves	**575,588**	1,171,983
Interest earned	**71,654**	74,119
Unrealized loss on investment	**(23,985)**	(78,861)
Interfund allocation of interest	**32,521**	(17,482)
	655,778	1,149,759
Decreases		
Transfers from reserves	**131,245**	774,915
Balance, end of year	**5,835,265**	5,310,732

13. DESIGNATED ASSETS

Of the financial assets reported on the Consolidated Statement of Financial Position, the Council has designated $5,835,265 [2017 - $5,310,732] to support reserve funds.

14. CONTRACTUAL OBLIGATIONS

Ontario Clean Water Agency

In accordance with a service agreement entered into by the Township with the Ontario Clean Water Agency ("Agency"), the operation of the Township's water and wastewater treatment system is operated by the Agency. Included in the Statement of Operations and Accumulated Surplus are the 2018 charges from the Agency of $299,139 [2017 - $299,299]. The estimated operating cost for this water services for 2019 is approximately $303,695.

15. BUDGET FIGURES

Public Sector Accounting Standards require a comparison of the results for the period with those originally planned on the same basis as that used for actual results. The fiscal plan in the Consolidated Statement of Operations and Accumulated Surplus has been adjusted to be presented on a consistent basis as actual results. Below is a reconciliation of the figures from the approved fiscal plan to the fiscal plan per the financial statements.

	Approved Fiscal Plan $	Adjustments $	Fiscal Plan per Financial Statements $
Revenues			
Taxation	3,904,429	(157,794)	3,746,635
User charges	1,055,540	-	1,055,540
Government transfers	3,354,860	-	3,354,860
Other	2,350,284	(1,866,947)	483,337
	10,665,113	(2,024,741)	8,640,372
Expenses			
General government	2,436,743	(770,708)	1,666,035
Protection to persons and property	832,146	47,339	879,485
Transportation services	2,099,969	(388,443)	1,711,526
Environmental services	3,266,759	(1,701,068)	1,565,691
Health services	93,168	-	93,168
Social and family services	62,900	-	62,900
Recreation and cultural services	1,796,118	(522,753)	1,273,365
Planning and development	77,310	1,809	79,119
	10,665,113	(3,333,824)	7,331,289
Annual surplus	-	1,309,083	1,309,083
Interfund transfers	(883,803)	(883,803)	
Capital items	-	3,239,660	
Debt repayments	178,060	178,060	
Amortization	-	(1,224,835)	
Approved surplus	(705,743)	1,309,082	

The Corporation of the Township of Manitouwadge
Schedule 1
Consolidated Schedule of Accumulated Surplus

Year ended December 31	2018	2017
	$	$
Investment in tangible capital assets	**19,446,742**	19,429,084
Unfunded		
Long-term debt	**(267,090)**	(445,150)
Landfill closure and post-closure liabilities	**(745,627)**	(590,920)
Total surpluses	**18,434,025**	18,393,014
Reserves set aside for specific purposes by Council		
For working capital	**134,194**	134,194
For recreation programs and facilities	**123,600**	123,600
For replacement of equipment and capital projects	**774,712**	554,142
For other projects	**291,182**	355,323
Total reserves	**1,323,688**	1,167,259
Reserve funds set aside for specific purposes by Council		
For assessment appeals	**1,678,966**	1,445,080
For recreation programs and facilities	**455,195**	448,424
For replacement of equipment and capital projects	**1,978,932**	1,954,213
For landfill closure and post-closure care	**366,244**	336,168
For contingencies	**1,355,928**	1,126,847
Total reserve funds	**5,835,265**	5,310,732
Accumulated surplus	**25,592,978**	24,871,005

The Corporation of the Township of Manitouwadge
Consolidated Schedule of Tangible Capital Assets

Schedule 2

Year ended December 31, 2018

	General						Infrastructure			Totals	
	Land $	Land Improvements $	Buildings $	Vehicles $	Library Collections $	Assets Under Construction $	Machinery Equipment $	Underground and Other Networks $	Office Equipment $	2018 $	2017 $
COST											
Balance, beginning of year	97,467	864,784	10,629,402	2,140,626	81,150	-	5,160,220	34,032,340	136,892	53,142,881	52,266,765
Add											
Additions during the year	-	-	376,282	75,337	7,098	-	358,400	425,375	-	1,242,492	1,136,007
Less											
Disposals in the year	-	-	-	-	7,538	-	-	-	-	7,538	259,891
Balance, end of year	97,467	864,784	11,005,684	2,215,963	80,710	-	5,518,620	34,457,715	136,892	54,377,835	53,142,881
ACCUMULATED AMORTIZATION											
Balance, beginning of year	-	836,361	7,343,421	1,167,513	41,136	-	3,331,414	20,862,180	131,772	33,713,797	32,672,086
Add											
Amortization during the year	-	3,561	264,357	67,256	8,825	-	173,794	705,189	1,852	1,224,834	1,186,089
Less											
Disposals in the year	-	-	-	-	7,538	-	-	-	-	7,538	144,378
Balance, end of year	-	839,922	7,607,778	1,234,769	42,423	-	3,505,208	21,567,369	133,624	34,931,093	33,713,797
Net book value, beginning of year	97,467	28,423	3,285,981	973,113	40,014	-	1,828,806	13,170,160	5,120	19,429,084	19,594,679
Net book value, end of year	97,467	24,862	3,397,906	981,194	38,287	-	2,013,412	12,890,346	3,268	19,446,742	19,429,084

Filed: 2020-08-04, EB-2019-0255, Schedule E, Page 142 of 410

The Corporation of the Township of Manitouwadge
Consolidated Schedule of Segment Disclosure
Year ended December 31, 2018

Schedule 3

	General Government		Protection to Persons and Property		Transportation Services		Environmental Services		Health Services	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	$	$	**$**	$	**$**	$	**$**	$	**$**	$
Revenues										
Taxation	**3,770,400**	3,562,856	**-**	-	**-**	-	**-**	-	**-**	-
Government transfers	**-**	-	**-**	-	**336,490**	195,232	**-**	-	**-**	-
Provincial grants	**1,718,100**	1,674,000	**9,806**	19,422	**142,500**	-	**177,862**	18,805	**-**	-
User fees and service charges	**13,678**	7,088	**-**	19,425	**85,889**	92,462	**917,250**	884,733	**-**	-
Investment income	**162,224**	10,151	**-**	-	**-**	-	**-**	-	**-**	-
Other income	**495,547**	188,814	**-**	-	**-**	-	**-**	-	**-**	-
Penalties and interest on taxes	**162,891**	147,680	**-**	-	**-**	-	**-**	-	**-**	-
Rents and leases	**161,984**	125,209	**-**	-	**-**	-	**-**	-	**-**	-
	6,484,824	5,715,798	**9,806**	38,847	**564,879**	287,694	**1,095,112**	903,538	**-**	-
Expenses										
Salaries, wages and employee benefits	**518,714**	488,726	**258,728**	260,656	**657,875**	662,873	**222,501**	162,998	**6,856**	3,046
Long-term debt charges	**-**	-	**-**	-	**-**	-	**58,086**	18,912	**-**	-
Materials	**1,372,946**	975,162	**82,854**	82,264	**374,501**	324,689	**896,725**	760,836	**952**	-
Contracted services	**179,323**	86,073	**451,224**	474,300	**-**	-	**-**	-	**36,986**	35,412
Rent and financials	**9,178**	44,453	**-**	-	**4,497**	2,603	**10,508**	-	**-**	-
External transfers to others	**-**	-	**-**	-	**-**	-	**-**	-	**45,608**	45,612
Amortization	**87,507**	87,776	**72,339**	55,268	**427,567**	413,444	**512,815**	513,563	**-**	-
	2,167,668	1,682,190	**865,145**	872,488	**1,464,440**	1,403,609	**1,700,635**	1,456,309	**90,402**	84,070
Net revenue (expenses) before undernoted item	**4,317,156**	4,033,608	**(855,339)**	(833,641)	**(899,561)**	(1,115,915)	**(605,523)**	(552,771)	**(90,402)**	(84,070)
Loss on disposal of tangible capital assets	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Annual surplus (deficit)	**4,317,156**	4,033,608	**(855,339)**	(833,641)	**(899,561)**	(1,115,915)	**(605,523)**	(552,771)	**(90,402)**	(84,070)

Filed: 2020-08-04, EB-2019-0255, Schedule E, Page 143 of 410

The Corporation of the Township of Manitouwadge

Consolidated Schedule of Segment Disclosure

Year ended December 31, 2018

Schedule 3 (continued)

	Social and Family Services		Recreation and Cultural Services		Planning and Development		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	$	$	**$**	$	**$**	$	**$**	$
Revenues								
Taxation	**-**	-	**-**	-	**-**	-	**3,770,400**	3,562,856
Government transfers	**-**	-	**-**	-	**-**	-	**336,490**	195,232
Provincial grants	**-**	-	**17,026**	14,921	**-**	-	**2,065,294**	1,727,148
User fees and service charges	**-**	-	**201,158**	163,280	**-**	397	**1,217,975**	1,167,385
Investment income	**-**	-	**-**	-	**-**	-	**162,224**	10,151
Other income	**-**	-	**-**	-	**-**	-	**495,547**	188,814
Penalties and interest on taxes	**-**	-	**-**	-	**-**	-	**162,891**	147,680
Rents and leases	**-**	-	**4,318**	4,566	**-**	-	**166,302**	129,775
	-	-	**222,502**	182,767	**-**	397	**8,377,123**	7,129,041
Expenses								
Salaries, wages and employee benefits	**-**	-	**604,325**	603,050	**20,922**	3,700	**2,289,921**	2,185,049
Long-term debt charges	**-**	-	**-**	-	**-**	-	**58,086**	18,912
Materials	**-**	-	**487,643**	424,438	**68,119**	33,372	**3,283,740**	2,600,761
Contracted services	**-**	-	**-**	-	**-**	-	**667,533**	595,785
Rent and financials	**-**	-	**-**	-	**-**	-	**24,183**	47,056
External transfers to others	**61,245**	66,087	**-**	-	**-**	-	**106,853**	111,699
Amortization	**-**	-	**122,797**	114,229	**1,809**	1,809	**1,224,834**	1,186,089
	61,245	66,087	**1,214,765**	1,141,717	**90,850**	38,881	**7,655,150**	6,745,351
Net revenue (expenses) before undernoted item	**(61,245)**	(66,087)	**(992,263)**	(958,950)	**(90,850)**	(38,484)	**721,973**	383,690
Loss on disposal of tangible capital assets	**-**	(115,513)	**-**	-	**-**	-	**-**	(115,513)
Annual surplus (deficit)	**(61,245)**	(181,600)	**(992,263)**	(958,950)	**(90,850)**	(38,484)	**721,973**	268,177

Filed: 2020-08-04, EB-2019-0255, Schedule E, Page 144 of 410

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
Suite 300
979 Alloy Drive
Thunder Bay, ON
P7B 5Z8

T +1 807 345 6571
F +1 807 345 0032

To the Committee Members, Members of Council,
Inhabitants and Ratepayers of The Corporation of the
Township of Manitouwadge

Opinion
We have audited the financial statements of the Trust Funds of The Corporation of the Township of Manitouwadge ("the Township"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and accumulated surplus, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust Funds of The Corporation of the Township of Manitowadge as at December 31, 2018, and its results of operations 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 Township 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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 Township's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Township or to cease operations, or has no realistic alternative but to do so.

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

©Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd. All rights reserved

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 and 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 Township'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 Township'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 Township 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. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Township and the organizations it controls to express an opinion on the 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.

Grant Thornton LLP

Thunder Bay, Canada
July 10, 2019

Chartered Professional Accountants
Licensed Public Accountants

The Corporation of the Township of Manitouwadge
Trust Funds
Statement of Financial Position

As at December 31	2018	2017
	$	$
FINANCIAL ASSETS		
Cash	5,037	5,035
Due from The Corporation of the Township of Manitouwadge	63,000	60,118
NET FINANCIAL ASSETS	**68,037**	65,153
ACCUMULATED SURPLUS	**68,037**	65,153

See accompanying notes to the financial statements.

The Corporation of the Township of Manitouwadge
Trust Funds
Statement of Operations and Accumulated Surplus

Year ended December 31	2018	2017
	$	$
REVENUES		
Portion of sales	1,900	900
Interest	984	(96)
	2,884	804
Annual surplus	2,884	804
Accumulated surplus, beginning of year	65,153	64,349
Accumulated surplus, end of year	68,037	65,153

See accompanying notes to the financial statements.

The Corporation of the Township of Manitouwadge
Trust Funds
Statement of Cash Flows

Year ended December 31	2018	2017
	$	$
OPERATING ACTIVITIES		
Annual surplus	2,884	804
Net changes in non-cash under capital balance		
Due to The Corporation of the Township of Manitouwadge	(2,882)	(801)
Increase in cash during year	2	3
Cash, beginning of year	5,035	5,032
Cash, end of year	5,037	5,035

See accompanying notes to the financial statements.

The Corporation of the Township of Manitouwadge
Trust Funds
Notes to the Financial Statements
December 31, 2018

1. NATURE OF BUSINESS

The Corporation of the Township of Manitouwadge administers a perpetual care trust fund for the future care of the cemetery. The cemetery provides internment services for the benefit of the citizens of Manitouwadge.

2. ACCOUNTING POLICY

Accrual accounting

The Township uses the accrual basis of accounting which recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent. It recognizes a liability until the obligation or conditions underlying the liability is partly or wholly satisfied and recognizes an asset until the future economic benefit underlying the asset is partly or wholly used or lost.

Consolidated Financial Statements

The Corporation of the Township of Schreiber

December 31, 2017

Statement of Administrative Responsibility

The management of The Corporation of the Township of Schreiber have prepared the accompanying consolidated financial statements and are responsible for their accuracy and integrity. These statements consolidate all operations for which the Township has legislative and financial responsibility. The consolidated financial statements have been prepared by management in accordance with the accounting principles generally accepted for the public sector as prescribed by the Public Sector Accounting Board [PSAB] of CPA Canada.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the administration has developed and maintains a system of internal control designed to provide reasonable assurance that Municipal assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the consolidated financial statements.

The Municipal Council reviews and approves the consolidated financial statements before such statements are submitted to the Ministry of Municipal Affairs and Housing and published for the residents of The Corporation of the Township of Schreiber. The external auditors have access to, and meet with, Municipal Council to discuss their audit and the results of their examination.

The 2017 Financial Statements have been reported on by The Corporation of the Township of Schreiber's external auditors, Grant Thornton LLP, the auditors appointed by Municipal Council. The auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the consolidated financial statements.

Don McArthur
Chief Administrative Officer / Clerk

Mark Figliomeni
Mayor

Contents

	Page
Independent Auditor's Report	1 - 2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations and Accumulated Surplus	4 - 5
Consolidated Statement of Change in Net Financial Assets (Debt)	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 21
Schedule 1 - Consolidated Schedule of Accumulated Surplus	22
Schedule 2 - Consolidated Schedule of Tangible Capital Assets	23
Schedule 3 - Consolidated Schedule of Segment Disclosure	24 - 25
Consolidated Local Board	
Schreiber Public Library Board	
Independent Auditor's Report	26 - 27
Statement of Financial Position	28
Statement of Operations and Accumulated Surplus (Deficit)	29
Statement of Change in Net Financial Assets (Debt)	30
Statement of Cash Flows	31
Notes to the Financial Statements	32 - 36
Trust Funds	
Independent Auditor's Report	37 - 38
Statement of Financial Position	39
Statement of Operations and Fund Balances	40
Statement of Cash Flows	41
Notes to the Financial Statements	42

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
979 Alloy Drive
Thunder Bay, ON
P7B5Z8

T (807) 345-6571
F (807) 345-0032
www.GrantThornton.ca

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Township of Schreiber

We have audited the accompanying consolidated financial statements of The Corporation of the Township of Schreiber, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations and accumulated surplus, change in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit • Tax • Advisory
Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd

Grant Thornton

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Township of Schreiber as at December 31, 2017, and the results of its operations and accumulated surplus, changes in net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Thunder Bay, Canada
May 7, 2018

Chartered Professional Accountants
Licensed Public Accountants

The Corporation of the Township of Schreiber
Consolidated Statement of Financial Position

As at December 31	**2017**	2016
	$	$
FINANCIAL ASSETS		
Cash and cash equivalents *[note 4]*	**1,996,820**	2,980,014
Short-term investments *[note 5]*	**-**	620,600
Taxes receivable *[note 3]*	**231,478**	345,584
Accounts receivable	**1,538,507**	174,076
Investment in Anemos Wastewater Facility Solar LP	**13,923**	16,000
Due from other municipalities	**42,082**	21,132
Total financial assets	**3,822,810**	4,157,406
LIABILITIES		
Accounts payable and accrued liabilities	**617,092**	298,518
Deferred revenue *[note 6]*	**1,431,974**	2,048,779
Debt *[note 8]*	**526,282**	628,385
User charges payable	**16,293**	11,234
Post-retirement benefits *[note 9]*	**167,783**	-
Total liabilities	**2,759,424**	2,986,916
NET FINANCIAL ASSETS	**1,063,386**	1,170,490
NON-FINANCIAL ASSETS		
Tangible capital assets - net *[note 12] [schedule 2]*	**13,054,329**	11,142,558
Prepaid expenses	**8,303**	77,409
	13,062,632	11,219,967
Accumulated surplus *[schedule 1]*	**14,126,018**	12,390,457

See accompanying notes to the consolidated financial statements.

The Corporation of the Township of Schreiber
Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31

	Budget 2017 $ *[note 16]*	Actual 2017 $	Actual 2016 $
REVENUES *[schedule 3]*			
Taxation			
Residential and farm taxation	**1,370,150**	**1,370,150**	1,342,949
Commercial and industrial	**432,169**	**440,359**	443,669
Taxation from other governments	**82,158**	**89,519**	90,812
	1,884,477	**1,900,028**	1,877,430
User charges			
Water billings	**422,190**	**417,051**	396,990
User fees and service charges	**149,635**	**261,630**	197,614
Sewer	**247,740**	**244,387**	231,828
	2,704,042	**2,823,096**	2,703,862
Government transfers			
Government of Canada	**177,925**	**337,107**	70,588
Province of Ontario	**2,923,979**	**2,636,527**	1,068,486
Other municipalities	**23,063**	**20,935**	21,132
	3,124,967	**2,994,569**	1,160,206
Other			
Investment income	**9,000**	**20,938**	6,513
Penalties and late payment charges	**93,000**	**120,537**	96,352
Fines	**-**	**185**	370
Other	**123,844**	**271,470**	200,587
	225,844	**413,130**	303,822
Total revenues	**6,054,853**	**6,230,795**	4,167,890

	Budget 2017 $ *[note 16]*	Actual 2017 $	Actual 2016 $
EXPENSES *[note 13] [schedule 3]*			
General government	**1,154,692**	**1,291,012**	1,046,849
Protection to persons and property	**393,293**	**397,067**	370,441
Transportation services	**718,377**	**626,395**	639,279
Environmental services	**1,111,851**	**946,835**	910,579
Health services	**127,486**	**120,365**	126,129
Social and family services	**84,986**	**74,592**	74,765
Recreation and cultural services	**666,634**	**719,344**	606,165
Planning and development	**215,335**	**186,030**	179,826
Library	**146,624**	**142,926**	148,057
	4,619,278	**4,504,566**	4,102,090
NET REVENUE BEFORE UNDERNOTED ITEM	**1,435,575**	**1,726,229**	65,800
Other			
Gain on disposal of tangible capital assets	**-**	**9,332**	857
Annual surplus	**1,435,575**	**1,735,561**	66,657
Accumulated surplus, beginning of year	**-**	**12,390,457**	12,323,800
Accumulated surplus, end of year	**1,435,575**	**14,126,018**	12,390,457

See accompanying notes to the consolidated financial statements.

The Corporation of the Township of Schreiber
Consolidated Statement of Change in Net Financial Assets (Debt)

Year ended December 31

	Budget 2017 $ *[note 16]*	**Actual 2017** $	Actual 2016 $
Annual surplus	**1,435,575**	**1,735,561**	66,657
Acquisition of tangible capital assets	**(3,815,125)**	**(2,564,074)**	(342,513)
Amortization of tangible capital assets	**634,689**	**634,689**	603,889
Proceeds on disposal of tangible capital assets	**-**	**26,946**	857
Gain on disposal of tangible capital assets	**-**	**(9,332)**	(857)
Acquisition of prepaid expenses	**-**	**(8,303)**	(77,409)
Use of prepaid expenses	**-**	**77,409**	83,482
Increase (decrease) in net financial assets	**(1,744,861)**	**(107,104)**	334,106
Net financial assets, beginning of year	**1,170,490**	**1,170,490**	836,384
Net financial assets (debt), end of year	**(574,371)**	**1,063,386**	1,170,490

See accompanying notes to the consolidated financial statements.

The Corporation of the Township of Schreiber
Consolidated Statement of Cash Flows

Year ended December 31	**2017**	2016
	$	$
OPERATIONS		
Annual surplus	**1,735,561**	66,657
Non-cash charges		
Amortization of tangible capital assets	**634,689**	603,889
Post-retirement benefits	**167,783**	-
Gain on disposal of tangible capital assets	**(9,332)**	(857)
Unrealized loss on investment in Anemos Wastewater Facility Solar LP	**7,166**	-
	2,535,867	669,689
Net change in non-cash working capital balances		
Decrease in taxes receivable	**114,106**	242,696
Increase (decrease) in user charges payable	**5,059**	(7,022)
Decrease (increase) in accounts receivable	**(1,364,431)**	122,506
Decrease (increase) in due to other municipalities	**(20,950)**	1,819
Increase (decrease) in accounts payable and accrued liabilities	**318,574**	(155,203)
Increase (decrease) in deferred revenue	**(616,805)**	1,037,763
Decrease in prepaid expenses	**69,106**	6,073
Cash provided by operating transactions	**1,040,526**	1,918,321
CAPITAL		
Acquisition of tangible capital assets	**(2,564,074)**	(342,513)
Proceeds on disposal of tangible capital assets	**26,946**	857
Cash used in capital transactions	**(2,537,128)**	(341,656)
INVESTING		
Contributions to investment in Anemos Wastewater Facility Solar LP	**(5,089)**	(16,000)
Purchase of short-term investments	**-**	(620,600)
Proceeds on disposal of short-term investments	**620,600**	-
Cash provided by (used in) investing transactions	**615,511**	(636,600)
FINANCING		
Debt principal repayment	**(102,103)**	(106,404)
Cash used in financing transactions	**(102,103)**	(106,404)
Increase (decrease) in cash and cash equivalents	**(983,194)**	833,661
Opening cash and cash equivalents	**2,980,014**	2,146,353
Closing cash and cash equivalents	**1,996,820**	2,980,014

See accompanying notes to the consolidated financial statements.

The Corporation of the Township of Schreiber
Notes to the Consolidated Financial Statements
December 31, 2017

GENERAL

The Corporation of the Township of Schreiber is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements of The Corporation of the Township of Schreiber are prepared by management in accordance with accounting policies generally accepted for the local government as prescribed by the Public Sector Accounting Board ("PSAB") of CPA Canada. The more significant of these accounting policies are as follows:

[a] Basis of consolidation

Reporting entity

These consolidated financial statements reflect the financial assets, liabilities, revenues, expenses, and accumulated surplus of the reported entity. The reporting entity is comprised of all organizations, local boards, and committees accountable for the administration of their financial affairs and resources, to the Township, and which are owned or controlled by the Township. Accordingly, the following are consolidated in these financial statements.

Schreiber Public Library Board

All interfund balances and transactions have been eliminated.

Government partnerships

Certain organizations in which the Township participates are accounted for on a proportionate consolidation basis, consistent with the treatment for government partnerships. Under the proportionate consolidation basis of accounting, the Township's pro-rata share of the assets, liabilities, revenues and expenditures that are subject to shared control is combined on a line-by-line basis with similar items in the Township's financial statements. The entity that is accounted for in this manner is:

Thunder Bay Area Emergency Measures Organization

Local boards

The financial activities of certain entities associated with the Township are not consolidated. The Township's contribution to these entities are recorded in the Consolidated Statement of Operations and Accumulated Surplus. The entities that are accounted for in this manner are:

Thunder Bay District Health Unit
The District of Thunder Bay Social Services Administration Board

Trust funds

Certain assets have been conveyed or assigned to the Township to be administered as directed by agreement or statute. The Township holds the assets for the benefit of and stand in fiduciary relationship to the beneficiaries, as a result, the trust funds and assets are excluded from their financial statements.

Accounting for school board transactions

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

[b] Basis of accounting

Accrual accounting

The Township uses the accrual basis of accounting which recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent. It recognizes a liability until the obligation or conditions underlying the liability is partly or wholly satisfied and recognizes an asset until the future economic benefit underlying the asset is partly or wholly used or lost.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances in banks.

Short-term investments

Short-term investments are recorded using the cost method. The carrying value of an investment is written-down to its net recoverable amount if a decline in market value is judged to be other than temporary.

Long-term investments

Long-term investments in shares of limited partnerships are valued using the modified equity method.

Pension and employee benefits

The Township accounts for its participation in the Ontario Municipal Employee Retirement System ("OMERS"), a multi-employer defined benefit plan, as a defined contribution plan. Obligations for sick leave under accounts payable and accrued liabilities are accrued as the employees render the services necessary to earn the benefits. Vacation pay and other post-employment benefits are charged to operations in the year earned.

Non-financial assets

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

[a] Tangible capital assets

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

Buildings	20 to 60 years
Computer hardware and software	5 to 10 years
Furniture and equipment	5 to 25 years
Land improvements	15 to 60 years
Library collections	25 years
Linear assets	
- roads	15 to 60 years
- sanitary sewer	50 to 60 years
- water distribution	40 to 60 years
Machinery and equipment	8 to 40 years
Vehicles	5 to 20 years

Assets under construction are not amortized until the asset is available for productive use, at which time they are transferred to their respective tangible capital asset categories.

[b] Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

[c] Tangible capital assets recognized at nominal value

Certain assets were recorded at a nominal value on adoption of tangible capital assets due to the difficulty in determining an appropriate value. The most significant of such assets are the Township's road allowances and vacant property.

[d] Leases

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

Reserves and reserve funds

Certain amounts, as approved by the Township Council, are set aside in reserves and reserve funds for future operating and capital purposes. Council segregates its accumulated surplus into various categories including reserves and reserve funds which are specifically for future operating and capital purposes.

Taxation revenue

Taxes are recognized as assets and revenue when they meet the definition of an asset, are authorized and the taxable event occurs, which for property taxes is the period for which the tax is levied.

At each financial statement date, management evaluates the extent to which its tax receivables are ultimately collectible and valuation allowances are used to reflect tax receivables at their net recoverable amount.

At each financial statement date, management evaluates the likelihood of having to repay taxes collected under tax measures that have been deemed authorized using the concept of legislative convention and recognizes a liability when required. Related refunds are accounted for in the period in which the change in estimate occurs.

Revenue recognition

User charges and fees are recognized as revenue in the period in which the related services are performed. Amounts collected for which the related services have yet to be performed are recognized as a liability and recognized as revenue when the related services are performed.

Interest is recognized as it is earned. Interest earned on obligatory reserve funds is added to the fund balance and forms part of the deferred revenue balance. Investment income earned on reserve funds is added to the fund balance and forms part of the reserve fund balance.

Funds received, other than government transfers and tax revenue, for specific purposes which are externally restricted by legislation, regulation or agreement and that are not available for general purposes are accounted for as deferred revenue on the Consolidated Statement of Financial Position. The revenue is recognized in the Consolidated Statement of Operations and Accumulated Surplus in the year in which it is used for the specified purpose.

Government transfers

Government transfers are transfers of monetary assets or tangible capital assets from a government to an individual, an organization or another government that are not the result of an exchange transaction, expected to be repaid in the future or expected to produce a direct financial return. Government transfers received are recognized in the consolidated financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

Government transfers made to a recipient by the Township are recorded as an expense when they are authorized and the recipient meets all eligibility criteria.

Obligatory reserve funds

The Township receives Gas Tax proceeds from the Federal Government through the Association of Municipalities of Ontario. These funds, by their nature, are restricted in their use and, until applied to specific expenses are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period they are expended. See note 6 for more details.

The Township received proceeds from the Nuclear Waste Management Organization. These funds are restricted in their use and, until applied to specific expenses are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

Landfill closure and post-closure liability

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

Use of estimates

The preparation of 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Township may undertake in the future. Significant accounting estimates include valuation allowance for accounts receivable, estimated useful lives of tangible capital assets, employee benefits payable, and solid waste landfill closure and post-closure liabilities. Actual results could differ from these estimates.

2. TRUST FUNDS

Trust funds administered by the Township amounting to $102,313 [2016 - $100,527] have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus.

3. TAXES RECEIVABLE

	2017 $	2016 $
Property and business taxes receivable	**1,195,704**	1,020,292
Allowance for property and business tax arrears	**(964,226)**	(674,708)
	231,478	345,584

4. CASH AND CASH EQUIVALENTS

	2017 $	2016 $
Cash on hand	**1,188,473**	2,921,371
Savings account	**836,450**	208,930
Outstanding deposits	**54,745**	38,265
Outstanding cheques	**(82,848)**	(188,552)
	1,996,820	2,980,014

The Township has available a demand operating loan of $2,800,000 [2016 - $2,800,000] for which the Township has provided a general security agreement, of which $nil [2016 - $nil] was borrowed at year-end. Interest on the loan is calculated at bank prime [3.2% at year-end].

5. SHORT-TERM INVESTMENTS

Short-term investments consist of Guaranteed Investment Certificates of $nil [2016 - $620,600] which matured in December, 2017 yielding interest rates of 0.85% - 1.46%. The fair market value of the Guaranteed Investment Certificates are reflective of their book value.

The Corporation of the Township of Schreiber
Notes to the Consolidated Financial Statements
December 31, 2017

6. DEFERRED REVENUE

	2017	2016
	$	$
Obligatory reserve funds		
Federal Gas Tax proceeds	**207,844**	203,652
Provincial Gas Tax proceeds	**132,092**	196,008
Nuclear Waste Management Organization - Well Being Fund proceeds	**470,495**	592,406
General deferred revenue		
Ontario Community Infrastructure Fund	**607,055**	1,011,701
Ontario Sports & Leisure	**-**	28,244
Ministry of Transportation - State of Good Repairs Needs - grant proceeds	**8,169**	8,169
Library - funding	**5,069**	8,399
Other	**1,250**	200
	1,431,974	2,048,779

The continuity of deferred revenue is as follows:

	Government Transfer	**Other**	**Total 2017**	Total 2016
	$	$	$	$
Balance, beginning of year	**8,169**	**2,040,610**	**2,048,779**	1,011,016
Investment income	**-**	**8,364**	**8,364**	2,780
Net contributions to current operations	**-**	**(717,772)**	**(717,772)**	(214,361)
Grant proceeds	**-**	**92,603**	**92,603**	1,249,344
Balance, end of year	**8,169**	**1,423,805**	**1,431,974**	2,048,779

7. PENSION AGREEMENTS

The Township makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of certain 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. The amount contributed to OMERS for 2017 was $69,699 [2016 - $60,839] for current service.

The Corporation of the Township of Schreiber
Notes to the Consolidated Financial Statements
December 31, 2017

8. DEBT

[a] The balance of debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2017 $	2016 $
Term loan repayable in blended monthly instalments of $4,691, including interest at 2.40% per annum, maturing in January, 2020.	**109,817**	162,766
Term loan repayable in blended monthly instalments of $2,559, including interest at 3.90% per annum, maturing in January, 2027.	**234,418**	255,541
Term loan repayable in blended monthly instalments of $1,134, including interest at 3.28% per annum, maturing in June, 2019.	**19,884**	32,617
Term loan repayable in blended monthly instalments of $1,770, including interest at 3.90% per annum, maturing January, 2027.	**162,163**	176,773
Term loan repayable in blended monthly instalments of $692, including interest at 5.59% per annum, maturing January, 2017.	**-**	688
	526,282	628,385

[b] Principal due on debt is summarized as follows:

	$
2017	104,539
2018	100,902
2019	40,140
2020	41,734
2021	43,391
Thereafter	195,576
	526,282

[c] The debt in [a] issued in the name of the Township has been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ontario Ministry of Municipal Affairs and Housing.

[d] Total interest charges for debt reported on the Consolidated Statement of Operations and Accumulated Surplus are $20,409 [2016 - $23,726].

9. POST-RETIREMENT BENEFITS

The post-retirement benefits relate to health care costs that the Township will cover for specific retired employees. Township employees entitled to the post-retirement benefit are identified through the Union Agreement and also include any non-union management employees. Management's estimate is determined based on the type of policy the employee will receive, expected costs using market data and the expected date of employee's retirement. Based on these factors, management took the total estimated costs and discounted it at a rate of 3.2%.

10. RELATED PARTY TRANSACTIONS

[a] Measurement basis

Related party transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

[b] Related companies

Anemos Wastewater Facility Solar LP (Limited Partnership) is 15.1% owned by the Township and the remaining 84.9% owned by Anemos Energy Corporation.

	2017 $	2016 $
Transactions with Limited Partnership		
Revenues - Land rent	**500**	500

As at year-end, the Township has contributed $5,089 [2016 - $15,985] to the Limited Partnership.

11. LANDFILL CLOSURE AND POST-CLOSURE

The Township's landfill usage is limited to de-watering treated waste sludge from the Municipal Water Pollution Control Plant. The main components of the landfill closure includes soil testing and seeding.

The estimated liability for this cost is the present value for future cash flows associated with closure and post-closure costs discounted using the Township's average long-term borrowing rate of 6%. The total discounted outflow in the future is estimated to be $5,000. No provision has been made in these consolidated financial statements in respect to landfill closure and post-closure costs. An amount of $208,086 [2016 - $208,086] has been provided in a reserve to fund future landfill expansion and emergencies (Schedule 1).

According to the Certificate of Approval issued by the Ontario Ministry of Environment, the size of the site is 0.371 hectares, with a maximum capacity not to exceed 1,200m3. Management has estimated that the life of the site is unlimited due to the current maintenance processes in place.

12. TANGIBLE CAPITAL ASSETS

Schedule 2 provides information on the tangible capital assets of the Township by major asset class, as well as accumulated amortization of the assets controlled.

There were no write-downs of assets during 2017 [2016 - $nil].

Interest capitalized during 2017 was $nil [2016 - $nil].

There were no contributed tangible capital assets in 2017 [2016 - $nil].

13. SEGMENTED INFORMATION

The Corporation of the Township of Schreiber provides a wide range of services to its citizens. The schedule of segment disclosure provides a breakdown of the annual surplus (deficit) reported on the Consolidated Statement of Operations and Accumulated Surplus by major reporting segment. The segments correspond to the major functional categories used in the Township's Financial Information Return, which includes the following activities:

General government
General government comprises various administrative services, including the Finance Department, and Mayor and Council.

Protection to persons and property
Protection to persons and property is comprised of police services, fire services, and protective inspection and control. The police services are contracted from the Ontario Provincial Police. The Volunteer Fire Services Department is responsible for fire suppression, fire prevention programs, and training and education related to prevention, detection or extinguishment of fires. Protective inspection and control ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-laws for the protection of occupants. Protective inspection and control also represents the Township's proportionate share of the activities of the Thunder Bay Area Emergency Measures Organizations ("EMO").

Transportation services
Transportation services include roadways, winter control, transit, parking and street lighting. Roadways covers the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, culverts and sidewalks. Winter control includes snowplowing, sanding and salting, snow removal and flood control. The Township develops and maintains the street lighting system.

Environmental services
Environmental services consist of waterworks, sanitary sewer, waste collection and disposal and recycling. Waterworks provides drinking water to the citizens of Schreiber. Sanitary sewer collects and treats wastewater and waste collection and disposal and recycling includes the collection of solid waste, landfill site operations and waste minimization programs.

Health services
Health services includes public health services and ambulance services. Public health services represents the Township's contribution to the activities of the Thunder Bay District Health Unit. The Thunder Bay District Health Unit provides health information and prevention-related clinical services, advocates for healthy public policy, investigates reportable diseases, and upholds regulations that apply to public health. Ambulance services are contracted from the Superior North Emergency Medical Services ("SNEMS"). SNEMS is responsible for providing emergency medical and ambulatory services to the residents of the District of Thunder Bay.

Social and family services
Social and family services represents the Township's contributions to the activities of The District of Thunder Bay Social Services Administration Board ("TBDSSAB"). TBDSSAB is responsible for Ontario Works program delivery, child care services and social housing.

Recreation and cultural services
Recreation and cultural services include parks, recreation programs and facilities, public library and contributions to cultural organizations. The Community Services Department provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services such as fitness and aquatic programs, the development and maintenance of various recreational facilities, and the maintenance of parks and open spaces. The public library is dedicated to providing community access to local and global information resources that support lifelong learning, research and leisure activities. The Township makes contributions to various cultural organizations under specific funding programs.

Planning and development
The Township manages development for business interest, environmental concerns, heritage matters, and local neighbourhoods through community development and approval of all land development plans.

The accounting policies used in these segments are consistent with those followed in the preparation of these consolidated financial statements as disclosed in note 1. For additional information see the Consolidated Schedule of Segment Disclosure (Schedule 3).

The Corporation of the Township of Schreiber
Notes to the Consolidated Financial Statements
December 31, 2017

14. RESERVES AND RESERVE FUNDS

The continuity of reserves and reserve funds which makes up part of accumulated surplus in Schedule 1 is as follows:

	2017 $	2016 $
Reserves		
Balance, beginning of year	**1,527,973**	1,442,196
Increases		
Transfer from current operations	**416,232**	139,658
Decreases		
Transfer to current operations	**222,999**	38,881
Transfer to capital operations	**5,089**	15,000
	228,088	53,881
Balance, end of year	**1,716,117**	1,527,973

	2017 $	2016 $
Reserve funds		
Balance, beginning of year	**21,819**	16,897
Increases		
Contributions from current operations	**14,088**	10,400
Interest earned	**184**	46
	14,272	10,446
Decreases		
Contributions to current operations	**7,832**	74
Contributions to capital operations	**-**	5,450
	7,832	5,524
Balance, end of year	**28,259**	21,819

Subsequent to year-end, the general fund has been increased by an amount of $23,265 transferred from reserve and reserve funds as authorized by various resolutions issued subsequent to year-end. Had this increase not been made, the balance of the Township's funds would have been as follows: general fund of $1,885, reserves of $1,739,382 and reserve funds of $28,259.

The Corporation of the Township of Schreiber
Notes to the Consolidated Financial Statements
December 31, 2017

15. DESIGNATED ASSETS

Of the financial assets reported on the Consolidated Statement of Financial Position, the Council has designated $28,259 [2016 - $21,819] to support reserve funds.

16. BUDGET FIGURES

Public Sector Accounting Standards require a comparison of the results for the period with those originally planned on the same basis as that used for actual results. The fiscal plan in the Consolidated Statement of Operations and Accumulated Surplus has been adjusted to be presented on a consistent basis as actual results. Below is a reconciliation of the figures from the approved fiscal plan to the fiscal plan per the financial statements:

	Approved Fiscal Plan $	Adjustments $	Fiscal Plan per Financial Statements $
Revenue			
Taxation	**1,884,477**	**-**	**1,884,477**
User charges	**819,565**	**-**	**819,565**
Government transfers	**4,513,245**	**(1,388,278)**	**3,124,967**
Other	**1,063,182**	**(837,338)**	**225,844**
	8,280,469	**(2,225,616)**	**6,054,853**
Expenses			
General government	**1,168,645**	**(13,953)**	**1,154,692**
Protection to persons and property	**378,122**	**15,171**	**393,293**
Transportation services	**744,226**	**(25,849)**	**718,377**
Environmental services	**4,605,630**	**(3,493,779)**	**1,111,851**
Health services	**116,540**	**10,946**	**127,486**
Social and family services	**77,560**	**7,426**	**84,986**
Recreation and cultural services	**595,610**	**71,024**	**666,634**
Planning and development	**365,335**	**(150,000)**	**215,335**
Library	**228,801**	**(82,177)**	**146,624**
	8,280,469	**(3,661,191)**	**4,619,278**
Annual surplus	**-**	**1,435,575**	**1,435,575**
Interfund transfers	**(137,677)**	**(137,677)**	
Capital items	**3,815,125**	**3,815,125**	
Annual surplus	**(333,965)**	**(333,965)**	
Debt repayments	**122,530**	**122,530**	
Borrowings	**(1,388,278)**	**(1,388,278)**	
Unexpected capital	**(7,472)**	**(7,472)**	
Amortization	**-**	**(634,689)**	
Approved surplus	**2,070,263**	**1,435,574**	

17. COMMITMENTS

The Township leases certain equipment under operating leases. As well, the Township has entered into agreements as follows:

An agreement with a trucking company for the collection and removal of garbage. This agreement expires August 31, 2018.

The future payments expected over the next three years are as follows:

	$
2018	48,356
2019	3,111
2020	3,111
	54,578

18. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2017 consolidated financial statements.

The Corporation of the Township of Schreiber
Schedule 1
Consolidated Schedule of Accumulated Surplus

Year ended December 31	2017	2016
	$	$
Surpluses		
General fund	**21,380**	326,492
Investment in tangible capital assets	**13,054,327**	11,142,558
Unfunded		
Post-retirement benefits	**(167,783)**	-
Debt	**(526,282)**	(628,386)
Total surpluses	**12,381,642**	10,840,664
Reserves set aside for specific purposes by Council		
For working capital	**470,214**	470,214
For fire truck	**202,008**	156,098
For water and sewer	**185,964**	132,542
For recreation infrastructure	**60,406**	60,406
For cemetery expansion	**18,011**	17,501
For landfill site operations and development	**208,086**	208,086
For Handitransit	**15,907**	15,907
For medical centre	**-**	1,129
For life insurance liabilities	**42,338**	42,338
For fire department equipment	**-**	30,385
For infrastructure/development	**400,584**	284,483
For CRF/LSR adjustment	**99,499**	99,499
For library	**13,100**	9,385
Total reserves	**1,716,117**	1,527,973
Reserve funds set aside for specific purposes by Council		
For recreation committee	**28,259**	21,819
Total reserves and reserve funds	**28,259**	21,819
Accumulated surplus	**14,126,018**	12,390,456

The Corporation of the Township of Schreiber
Consolidated Schedule of Tangible Capital Assets

Schedule 2

Year ended December 31, 2017

	General									Infrastructure			Totals	
	Land $	Buildings $	Land Improvements $	Machinery Equipment $	Vehicles $	Furniture and Equipment $	Computer Hardware and Software $	Library Collections $	Sanitary Sewer $	Roads $	Water Distribution $	Work-in-Progress $	2017 $	2016 $
COST														
Balance, beginning of year	739,402	9,480,913	2,238,462	3,084,227	1,697,100	233,261	78,717	278,982	1,641,387	3,029,719	2,279,116	91,468	24,872,754	24,542,241
Add														
Additions during the year	36,357	115,266	-	95,857	231,336	-	-	6,126	-	1,084,727	-	994,405	2,564,074	342,513
Less														
Disposals during the year	-	16,400	-	-	158,851	-	-	-	-	-	-	-	175,251	12,000
Transfers	-	16,748	-	-	-	-	-	-	-	-	-	(16,748)	-	-
Balance, end of year	775,759	9,596,527	2,238,462	3,180,084	1,769,585	233,261	78,717	285,108	1,641,387	4,114,446	2,279,116	1,069,125	27,261,577	24,872,754
ACCUMULATED AMORTIZATION														
Balance, beginning of year	-	4,372,422	1,566,783	2,531,361	1,088,191	165,237	27,263	172,674	994,021	1,358,281	1,453,963	-	13,730,196	13,138,307
Add														
Amortization during the year	-	199,673	47,770	84,976	87,020	17,220	7,027	11,280	29,032	108,436	42,255	-	634,689	603,889
Less														
Accumulated amortization on disposals	-	16,400	-	-	141,237	-	-	-	-	-	-	-	157,637	12,000
Balance, end of year	-	4,555,695	1,614,553	2,616,337	1,033,974	182,457	34,290	183,954	1,023,053	1,466,717	1,496,218	-	14,207,248	13,730,196
Net book value of tangible capital assets, beginning of year	739,402	5,108,491	671,679	552,866	608,909	68,024	51,454	106,308	647,366	1,671,438	825,153	91,468	11,142,558	11,403,934
Net book value of tangible capital assets, end of year	775,759	5,040,832	623,909	563,747	735,611	50,804	44,427	101,154	618,334	2,647,729	782,898	1,069,125	13,054,329	11,142,558

Filed: 2020-08-04, EB-2019-0255, Schedule E, Page 176 of 410

The Corporation of the Township of Schreiber

Schedule 3

Consolidated Schedule of Segment Disclosure

Year ended December 31, 2017

	General Government		Protection to Persons and Property		Transportation Services		Environmental Services		Health Services	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$	$	$	$	$	$	$	$	$	$
Revenues										
Taxation	**1,900,028**	1,877,430	**-**	-	**-**	-	**-**	-	**-**	-
Government transfers - operating	**860,600**	842,400	**10,990**	6,883	**-**	-	**-**	-	**-**	1,346
Government transfers - capital	**-**	44,684	**-**	-	**87,241**	25,000	**1,697,790**	88,369	**-**	-
User fees and service charges	**2,043**	2,121	**71,460**	18,686	**13,942**	15,308	**693,640**	653,495	**3,190**	7,034
Other municipalities	**-**	-	**-**	-	**20,935**	21,132	**-**	-	**-**	-
Other revenues	**158,294**	148,729	**12,112**	30,781	**6,000**	6,000	**3,319**	3,192	**46,588**	41,333
Interest income - general	**12,390**	6,464	**-**	-	**-**	-	**-**	-	**-**	-
Interest income - reserves and reserve funds	**8,548**	49	**-**	-	**-**	-	**-**	-	**-**	-
	2,941,903	2,921,877	**94,562**	56,350	**128,118**	67,440	**2,394,749**	745,056	**49,778**	49,713
Expenditures										
Salaries, wages and employee benefits	**558,416**	371,961	**53,432**	45,589	**263,222**	274,378	**42,664**	112,444	**14,335**	17,789
Long-term debt charges	**16,977**	17,955	**-**	-	**3,435**	5,771	**-**	-	**-**	-
Materials	**586,870**	529,244	**64,914**	65,350	**179,258**	191,605	**356,240**	355,839	**30,283**	34,545
Contracted services	**54,379**	57,383	**228,194**	221,171	**-**	-	**339,315**	245,736	**-**	-
Rent and financials	**8,531**	7,455	**12,356**	2,854	**374**	1,434	**20,363**	8,132	**715**	929
External transfers to others	**-**	-	**-**	1,547	**-**	-	**-**	-	**53,986**	52,325
Amortization	**65,839**	62,851	**38,171**	33,930	**180,106**	166,091	**188,253**	188,428	**21,046**	20,541
	1,291,012	1,046,849	**397,067**	370,441	**626,395**	639,279	**946,835**	910,579	**120,365**	126,129
Net revenues (expenses) before undernoted item	**1,650,891**	1,875,028	**(302,505)**	(314,091)	**(498,277)**	(571,839)	**1,447,914**	(165,523)	**(70,587)**	(76,416)
Gain on disposal of tangible capital assets	**9,332**	857	**-**	-	**-**	-	**-**	-	**-**	-
Annual surplus (deficit)	**1,660,223**	1,875,885	**(302,505)**	(314,091)	**(498,277)**	(571,839)	**1,447,914**	(165,523)	**(70,587)**	(76,416)

The Corporation of the Township of Schreiber

Consolidated Schedule of Segment Disclosure

Year ended December 31, 2017

Schedule 3 (continued)

	Social and Family Services		Recreation and Cultural Services		Planning and Development		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$	$	$	$	$	$	$	$
Revenues								
Taxation	**-**	-	**-**	-	-	-	**1,900,028**	1,877,430
Government transfers - operating	**-**	-	**57,708**	71,567	**37,973**	25,324	**967,271**	947,520
Government transfers - capital	**-**	-	**221,332**	33,501	**-**	-	**2,006,363**	191,554
User fees and service charges	**6,705**	8,160	**132,088**	121,628	**-**	-	**923,068**	826,432
Other municipalities	**-**	-	**-**	-	**-**	-	**20,935**	21,132
Other revenues	**-**	-	**43,967**	34,385	**121,912**	32,889	**392,192**	297,309
Interest income - general	**-**	-	**-**	-	**-**	-	**12,390**	6,464
Interest income - reserves and reserve funds	**-**	-	**-**	-	**-**	-	**8,548**	49
	6,705	8,160	**455,095**	261,081	**159,885**	58,213	**6,230,795**	4,167,890
Expenditures								
Salaries, wages and employee benefits	**-**	-	**365,482**	289,559	**125,486**	117,870	**1,423,037**	1,229,590
Long-term debt charges	**-**	-	**-**	-	**-**	-	**20,412**	23,726
Materials	**36,846**	35,519	**321,021**	299,036	**48,144**	25,155	**1,623,576**	1,536,293
Contracted services	**13,610**	16,604	**41,919**	38,099	**12,400**	36,801	**689,817**	615,794
Rent and financials	**-**	-	**-**	-	**-**	-	**42,339**	20,804
External transfers to others	**16,710**	18,124	**-**	-	**-**	-	**70,696**	71,996
Amortization	**7,426**	4,518	**133,848**	127,528	**-**	-	**634,689**	603,887
	74,592	74,765	**862,270**	754,222	**186,030**	179,826	**4,504,566**	4,102,090
Net revenues (expenses) before undernoted item	**(67,887)**	(66,605)	**(407,175)**	(493,141)	**(26,145)**	(121,613)	**1,726,229**	65,800
Gain on disposal of tangible capital assets	**-**	-	**-**	-	**-**	-	**9,332**	857
Annual surplus (deficit)	**(67,887)**	(66,605)	**(407,175)**	(493,141)	**(26,145)**	(121,613)	**1,735,561**	66,657

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
979 Alloy Drive
Thunder Bay, ON
P7B5Z8

T (807) 345-6571
F (807) 345-0032
www.GrantThornton.ca

To the Board Members of
Schreiber Public Library Board

We have audited the accompanying financial statements of Schreiber Public Library Board, which comprise the statement of financial position as at December 31, 2017 and the statements of operations and accumulated surplus (deficit), change in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit • Tax • Advisory
Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd

Grant Thornton

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Schreiber Public Library Board as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Thunder Bay, Canada
May 7, 2018

Chartered Professional Accountants
Licensed Public Accountants

Schreiber Public Library Board
Statement of Financial Position

As at December 31	**2017**	2016
	$	$
FINANCIAL ASSETS		
Cash	**107**	8,436
Due from the Province of Ontario	**1,314**	1,613
Due from The Corporation of the Township of Schreiber	**12,458**	-
Total financial assets	**13,879**	10,049
LIABILITIES		
Accounts payable and accrued liabilities	**1,700**	1,700
Due to The Corporation of the Township of Schreiber	**-**	8,542
Deferred revenue	**5,069**	8,399
Total liabilities	**6,769**	18,641
NET FINANCIAL ASSETS (DEBT)	**7,110**	(8,592)
NON-FINANCIAL ASSETS		
Tangible capital assets *[note 2]*	**221,829**	128,274
Accumulated surplus *[note 3]*	**228,939**	119,682

See accompanying notes to the financial statements.

Schreiber Public Library Board
Statement of Operations and Accumulated Surplus (Deficit)

Year ended December 31	**2017 Budget** $ *[note 5]*	**2017 Actual** $	2016 Actual $
REVENUES			
Municipal contribution	**221,866**	**221,866**	110,285
Province of Ontario grants	**4,160**	**25,530**	14,360
Government of Canada grants	**990**	**1,026**	5,014
Other revenue	**1,785**	**3,760**	5,318
Total revenues	**228,801**	**252,182**	134,977
EXPENSES			
Amortization	**12,823**	**12,823**	12,817
Community programs	**2,354**	**3,125**	3,851
Computer	**4,780**	**6,001**	4,375
Insurance	**965**	**965**	842
Library office supplies	**1,800**	**1,869**	1,788
Maintenance and repairs	**2,100**	**1,532**	2,306
Miscellaneous	**1,000**	**850**	722
Office equipment	**2,550**	**2,253**	2,470
Periodicals and audio visual materials	**1,300**	**1,312**	2,551
Professional development	**500**	**408**	714
Professional fees	**1,700**	**1,700**	763
Salaries and benefits	**88,652**	**83,496**	82,688
Special projects	**6,600**	**16,724**	19,720
Telephone and postage	**2,500**	**2,284**	2,283
Travel and conventions	**1,500**	**1,375**	2,291
Utilities	**9,500**	**6,208**	7,874
Total expenses	**140,624**	**142,925**	148,055
Annual surplus (deficit)	**88,177**	**109,257**	(13,078)
Accumulated surplus, beginning of year	**-**	**119,682**	132,760
Accumulated surplus, end of year	**88,177**	**228,939**	119,682

See accompanying notes to the financial statements.

Schreiber Public Library Board
Statement of Change in Net Financial Assets (Debt)

Year ended December 31	**2017**	**2017**	2016
	Budget	**Actual**	Actual
	$	$	$
	[note 5]		
Annual surplus (deficit)	**88,177**	**109,257**	(13,078)
Acquisition of tangible capital assets	**(101,000)**	**(106,378)**	(21,773)
Amortization of tangible capital assets	**12,823**	**12,823**	12,817
Increase (decrease) in net financial assets	**-**	**15,702**	(22,034)
Net financial assets (debt), beginning of year	**-**	**(8,592)**	13,442
Net financial assets (debt), end of year	**-**	**7,110**	(8,592)

See accompanying notes to the financial statements.

Schreiber Public Library Board
Statement of Cash Flows

Year ended December 31	**2017**	2016
	$	$
OPERATIONS		
Annual surplus (deficit)	**109,257**	(13,078)
Non-cash charges		
Amortization of tangible capital assets	**12,823**	12,817
	122,080	(261)
Net change in non-cash working capital balances		
Decrease in due from the Province of Ontario	**299**	2,078
Decrease (increase) in due from The Corporation of the Township of Schreiber	**(21,000)**	24,702
Increase (decrease) in deferred revenue	**(3,330)**	3,690
Cash provided by operating transactions	**98,049**	30,209
CAPITAL		
Acquisition of tangible capital assets	**(106,378)**	(21,773)
Cash used in capital transactions	**(106,378)**	(21,773)
Increase (decrease) in cash and cash equivalents	**(8,329)**	8,436
Opening cash and cash equivalents	**8,436**	-
Closing cash and cash equivalents	**107**	8,436

See accompanying notes to the financial statements.

Schreiber Public Library Board
Notes to the Financial Statements
December 31, 2017

GENERAL

The Schreiber Public Library Board is dedicated to providing community access to local and global information resources that support lifelong learning, research and leisure activities.

The Schreiber Public Library Board is a municipal organization.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements of the Schreiber Public Library Board are prepared by management in accordance with accounting policies generally accepted for the local government as prescribed by the Public Sector Accounting Board ("PSAB") of CPA Canada. The more significant of these accounting policies are as follows:

Accrual accounting

The Library uses the accrual basis of accounting which recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent. It recognizes a liability until the obligation or conditions underlying the liability is partly or wholly satisfied and recognizes an asset until the future economic benefit underlying the assets is partly or wholly used or lost.

Non-financial assets

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

[a] Tangible capital assets

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

Buildings	20 to 60 years
Computer hardware	5 to 10 years
Furniture and equipment	5 to 25 years
Library collections	25 years

Assets under construction are not amortized until the asset is available for productive use, at which time they are transferred to their respective tangible capital asset categories.

[b] Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

[c] Leases

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

Reporting entity

The financial statements reflect the assets, liabilities, revenues, expenses and accumulated surplus (deficit) of the Library Board.

Revenue recognition

Funds received, other than government transfers, for specific purposes which are externally restricted by legislation, regulation or agreement and that are not available for general purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the Statement of Operations and Accumulated Surplus (Deficit) in the year in which it is used for the specified purpose.

Government transfers

Government transfers are transfers of monetary assets or tangible capital assets from a government to an individual, an organization or another government that are not the result of an exchange transaction, expected to be repaid in the future or expected to produce a direct financial return. Government transfers received are recognized in the financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

Government transfers made to a recipient by the Library are recorded as an expense when they are authorized and the recipient meets all eligibility criteria.

Schreiber Public Library Board
Notes to the Financial Statements
December 31, 2017

Use of estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Library Board may undertake in the future. Significant accounting estimates include allowance for doubtful accounts and useful lives of tangible capital assets. Actual results could differ from those estimates.

2. TANGIBLE CAPITAL ASSETS

	Buildings $	Library Collections $	Computer Hardware $	Furniture and Equipment $	Work-in-Progress $	2017 Total $	2016 Total $
COST							
Balance, beginning of year	**23,800**	**278,983**	**29,349**	**49,875**	**16,748**	**398,755**	376,982
Add:							
Additions during the year	**100,252**	**6,126**	**-**	**-**	**-**	**106,378**	21,773
Transfers	**16,748**	**-**	**-**	**-**	**(16,748)**	**-**	-
Balance, end of year	**140,800**	**285,109**	**29,349**	**49,875**	**-**	**505,133**	398,755
ACCUMULATED AMORTIZATION							
Balance, beginning of year	**23,800**	**172,674**	**24,801**	**49,206**	**-**	**270,481**	257,664
Add:							
Amortization during the year	**-**	**11,281**	**1,324**	**218**	**-**	**12,823**	12,817
Balance, end of year	**23,800**	**183,955**	**26,125**	**49,424**	**-**	**283,304**	270,481
Net book value of tangible capital assets, beginning of year	**-**	**106,309**	**4,548**	**669**	**16,748**	**128,274**	119,318
Net book value of tangible capital assets, end of year	**117,000**	**101,154**	**3,224**	**451**	**-**	**221,829**	128,274

Schreiber Public Library Board
Notes to the Financial Statements
December 31, 2017

3. ACCUMULATED SURPLUS

	2017	2016
	$	$
General fund	**7,110**	(8,592)
Investment in tangible capital assets	**221,829**	128,274
	228,939	119,682

4. COMMITMENTS

The Library leases various office equipment under operating leases. The future minimum annual lease payments over the next three years are as follows:

	$
2018	1,220
2019	1,220
2020	915
	3,355

5. BUDGET FIGURES

The operating budget approved by the Library Board for 2017 is reflected on the Statement of Operations and Accumulated Surplus (Deficit). The budget established for capital investment in tangible capital assets is on a project-oriented basis, the costs of which may be incurred over a number of years and therefore may not be comparable with the current year's actual expenses. Budget figures have been restated to be comparable with the PSAB reporting reflected in the actual results. Below is a reconciliation of figures from the approved fiscal plan to the fiscal plan per the financial statements.

Schreiber Public Library Board
Notes to the Financial Statements
December 31, 2017

	Approved Fiscal Plan $	Adjustments $	Fiscal Plan per Financial Statements $
Revenue			
Municipal contribution	**221,866**	**-**	**221,866**
Province of Ontario grants	**4,160**	**-**	**4,160**
Government of Canada grants	**990**	**-**	**990**
Other	**1,785**	**-**	**1,785**
	228,801	**-**	**228,801**
Expenses			
Amortization	**-**	**12,823**	**12,823**
Community programs	**2,354**	**-**	**2,354**
Computer	**4,780**	**-**	**4,780**
Insurance	**965**	**-**	**965**
Library office supplies	**1,800**	**-**	**1,800**
Maintenance and repairs	**97,100**	**(95,000)**	**2,100**
Miscellaneous	**1,000**	**-**	**1,000**
Office equipment	**2,550**	**-**	**2,550**
Periodicals and audio visual materials	**7,300**	**(6,000)**	**1,300**
Professional development	**500**	**-**	**500**
Professional fees	**1,700**	**-**	**1,700**
Salaries and benefits	**88,652**	**-**	**88,652**
Special projects	**6,600**	**-**	**6,600**
Telephone and postage	**2,500**	**-**	**2,500**
Travel and conventions	**1,500**	**-**	**1,500**
Utilities	**9,500**	**-**	**9,500**
	228,801	**(88,177)**	**140,624**
Annual surplus	**-**	**88,177**	**88,177**
Capital items	**101,000**	**101,000**	
Amortization	**-**	**(12,823)**	
Approved surplus	**101,000**	**88,177**	

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
979 Alloy Drive
Thunder Bay, ON
P7B5Z8

T (807) 345-6571
F (807) 345-0032
www.GrantThornton.ca

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Township of Schreiber Trust Funds

We have audited the accompanying financial statements of the Trust Funds of The Corporation of the Township of Schreiber, which comprise the statement of financial position as at December 31, 2017, and the statement of operations and fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Grant Thornton

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trust Funds of The Corporation of the Township of Schreiber as at December 31, 2017, and the results of its operations for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Grant Thornton LLP

Thunder Bay, Canada
May 7, 2018

Chartered Professional Accountants
Licensed Public Accountants

The Corporation of the Township of Schreiber
Trust Funds
Statement of Financial Position

As at December 31

	Cemetery Perpetual Care	**Cemetery Prepaid Services**	**2017 Total**	2016 Total
	$	$	$	$
FINANCIAL ASSETS				
Cash	**102,159**	**154**	**102,313**	100,317
Due from The Corporation of the Township of Schreiber	**-**	**-**	**-**	210
	102,159	**154**	**102,313**	100,527
Accumulated surplus	**102,159**	**154**	**102,313**	100,527

See accompanying notes to the financial statements.

The Corporation of the Township of Schreiber
Trust Funds
Statement of Operations and Fund Balances

Year ended December 31

	Cemetery Perpetual Care $	**Cemetery Prepaid Services** $	**2017 Total** $	2016 Total $
REVENUES				
Capital receipts	**630**	**-**	**630**	1,310
Interest earned	**1,156**	**-**	**1,156**	58
	1,786	**-**	**1,786**	1,368
EXPENSES	**-**	**-**	**-**	-
Annual surplus	**1,786**	**-**	**1,786**	1,368
Accumulated surplus, beginning of year	**100,373**	**154**	**100,527**	99,159
Accumulated surplus, end of year	**102,159**	**154**	**102,313**	100,527

See accompanying notes to the financial statements.

The Corporation of the Township of Schreiber
Trust Funds
Statement of Cash Flows

Year ended December 31	**2017**	2016
	$	$
OPERATING ACTIVITIES		
Annual surplus	**1,786**	1,368
Net change in non-cash working capital		
Decrease in due from The Corporation of the Township of Schreiber	**210**	40
Cash provided by operating transactions	**1,996**	1,408
Increase in cash during year	**1,996**	1,408
Cash, beginning of year	**100,317**	98,909
Cash, end of year	**102,313**	100,317

See accompanying notes to the financial statements.

The Corporation of the Township of Schreiber
Trust Funds
Notes to the Financial Statements
December 31, 2017

1. NATURE OF BUSINESS

The Corporation of the Township of Schreiber administers a perpetual care trust fund for the future care of the cemetery. The cemetery provides interment services for the benefit of the citizens of Schreiber.

2. ACCOUNTING POLICY

Basis of accounting

These financial statements of the Trust Funds have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

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

Consolidated Financial Statements

The Corporation of the Township of Schreiber

December 31, 2018

Statement of Administrative Responsibility

The management of The Corporation of the Township of Schreiber have prepared the accompanying consolidated financial statements and are responsible for their accuracy and integrity. These statements consolidate all operations for which the Township has legislative and financial responsibility. The consolidated financial statements have been prepared by management in accordance with the accounting principles generally accepted for the public sector as prescribed by the Public Sector Accounting Board [PSAB] of CPA Canada.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the administration has developed and maintains a system of internal control designed to provide reasonable assurance that Municipal assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the consolidated financial statements.

The Municipal Council reviews and approves the consolidated financial statements before such statements are submitted to the Ministry of Municipal Affairs and Housing and published for the residents of The Corporation of the Township of Schreiber. The external auditors have access to, and meet with, Municipal Council to discuss their audit and the results of their examination.

The 2018 Financial Statements have been reported on by The Corporation of the Township of Schreiber's external auditors, Grant Thornton LLP, the auditors appointed by Municipal Council. The auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the consolidated financial statements.

Don McArthur
Chief Administrative Officer / Clerk

Dave Hamilton
Mayor

Contents

	Page
Independent Auditor's Report	1 - 2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations and Accumulated Surplus	4 - 5
Consolidated Statement of Change in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 21
Schedule 1 - Consolidated Schedule of Accumulated Surplus	22
Schedule 2 - Consolidated Schedule of Tangible Capital Assets	23
Schedule 3 - Consolidated Schedule of Segment Disclosure	24 - 25
Consolidated Local Board	
Schreiber Public Library Board	
Independent Auditor's Report	26 - 27
Statement of Financial Position	28
Statement of Operations and Accumulated Surplus	29
Statement of Change in Net Financial Assets	30
Statement of Cash Flows	31
Notes to the Financial Statements	32 - 36
Trust Funds	
Independent Auditor's Report	37 - 38
Statement of Financial Position	39
Statement of Operations and Fund Balances	40
Statement of Cash Flows	41
Notes to the Financial Statements	42

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
Suite 300
979 Alloy Drive
Thunder Bay, ON
P7B 5Z8

T +1 807 345 6571
F +1 807 345 0032

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Township of Schreiber

Opinion
We have audited the consolidated financial statements of The Corporation of the Township of Schreiber ("the Township"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations and accumulated surplus, 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 financial position of The Corporation of the Township of Schreiber as at December 31, 2018, and its results of operations, its changes in its net financial assets 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 consolidated Financial Statements section of our report. We are independent of the Township in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

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

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

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

©Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd. All rights reserved.

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 Township'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 Township'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 Township 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.

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.

Grant Thornton LLP

Thunder Bay, Canada
May 2, 2019

Chartered Professional Accountants
Licensed Public Accountants

The Corporation of the Township of Schreiber
Consolidated Statement of Financial Position

As at December 31	**2018**	2017
	$	$
FINANCIAL ASSETS		
Cash and cash equivalents *[note 4]*	**2,846,573**	1,996,820
Taxes receivable *[note 3]*	**437,441**	231,478
Accounts receivable	**126,032**	175,550
Grants receivable	**163,068**	1,362,957
Investment in Anemos Wastewater Facility Solar LP	**-**	13,923
Due from Wastewater Facility Solar LP	**20,737**	-
Due from other municipalities	**23,332**	42,082
Total financial assets	**3,617,183**	3,822,810
LIABILITIES		
Accounts payable and accrued liabilities	**845,647**	617,092
Deferred revenue *[note 5]*	**835,290**	1,431,974
Debt *[note 7]*	**421,739**	526,282
User charges payable	**1,149**	16,293
Post-retirement benefits *[note 8]*	**144,562**	167,783
Total liabilities	**2,248,387**	2,759,424
NET FINANCIAL ASSETS	**1,368,796**	1,063,386
NON-FINANCIAL ASSETS		
Tangible capital assets - net *[note 11] [schedule 2]*	**14,675,175**	13,054,329
Prepaid expenses	**15,919**	8,303
	14,691,094	13,062,632
Accumulated surplus *[schedule 1]*	**16,059,890**	14,126,018

See accompanying notes to the consolidated financial statements.

The Corporation of the Township of Schreiber
Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31

	Budget 2018 $ *[note 15]*	**Actual 2018** $	Actual 2017 $
REVENUES ***[schedule 3]***			
Taxation			
Residential and farm taxation	**1,390,477**	**1,393,574**	1,370,150
Commercial and industrial	**389,020**	**396,062**	440,359
Taxation from other governments	**83,155**	**90,426**	89,519
	1,862,652	**1,880,062**	1,900,028
User charges			
Water billings	**427,255**	**421,838**	417,051
User fees and service charges	**154,915**	**192,605**	261,630
Sewer	**256,640**	**253,989**	244,387
	2,701,462	**2,748,494**	2,823,096
Government transfers			
Government of Canada	**1,218,488**	**135,714**	341,587
Province of Ontario	**4,532,868**	**2,596,789**	2,632,047
Other municipalities	**22,100**	**23,332**	20,935
	5,773,456	**2,755,835**	2,994,569
Other			
Investment income	**13,000**	**23,135**	20,938
Penalties and late payment charges	**115,000**	**130,862**	120,537
Fines	**-**	**205**	185
Other	**130,246**	**188,622**	271,470
	258,246	**342,824**	413,130
Total revenues	**8,733,164**	**5,847,153**	6,230,795

	Budget 2018 $ *[note 15]*	Actual 2018 $	Actual 2017 $
EXPENSES *[note 12] [schedule 3]*			
General government	**1,094,465**	**692,948**	1,298,678
Protection to persons and property	**434,864**	**404,031**	397,067
Transportation services	**684,707**	**675,029**	626,395
Environmental services	**1,003,902**	**951,915**	939,169
Health services	**125,420**	**121,037**	120,365
Social and family services	**86,335**	**69,418**	74,592
Recreation and cultural services	**726,568**	**731,438**	719,344
Planning and development	**218,140**	**127,418**	186,030
Library	**171,286**	**151,366**	142,926
	4,545,687	**3,924,600**	4,504,566
NET REVENUE BEFORE UNDERNOTED ITEM	**4,187,477**	**1,922,553**	1,726,229
Other			
Gain on disposal of tangible capital assets	**-**	**11,319**	9,332
Annual surplus	**4,187,477**	**1,933,872**	1,735,561
Accumulated surplus, beginning of year	**-**	**14,126,018**	12,390,457
Accumulated surplus, end of year	**4,187,477**	**16,059,890**	14,126,018

See accompanying notes to the consolidated financial statements.

The Corporation of the Township of Schreiber
Consolidated Statement of Change in Net Financial Assets

Year ended December 31

	Budget 2018 $ *[note 15]*	**Actual 2018** $	Actual 2017 $
Annual surplus	**4,187,477**	**1,933,872**	1,735,561
Acquisition of tangible capital assets	**(5,910,277)**	**(2,267,456)**	(2,564,074)
Amortization of tangible capital assets	**646,605**	**646,605**	634,689
Proceeds on disposal of tangible capital assets	**-**	**11,324**	26,946
Gain on disposal of tangible capital assets	**-**	**(11,319)**	(9,332)
Acquisition of prepaid expenses	**-**	**(15,919)**	(8,303)
Use of prepaid expenses	**-**	**8,303**	77,409
Increase (decrease) in net financial assets	**(1,076,195)**	**305,410**	(107,104)
Net financial assets, beginning of year	**1,063,386**	**1,063,386**	1,170,490
Net financial assets, end of year	**(12,809)**	**1,368,796**	1,063,386

See accompanying notes to the consolidated financial statements.

The Corporation of the Township of Schreiber
Consolidated Statement of Cash Flows

Year ended December 31	**2018**	2017
	$	$
OPERATIONS		
Annual surplus	**1,933,872**	1,735,561
Non-cash charges		
Amortization of tangible capital assets	**646,605**	634,689
Post-retirement benefits	**(23,221)**	167,783
Gain on disposal of tangible capital assets	**(11,319)**	(9,332)
Unrealized loss on investment in Anemos Wastewater Facility Solar LP	**-**	7,166
	2,545,937	2,535,867
Net change in non-cash working capital balances		
Decrease (increase) in taxes receivable	**(205,963)**	114,106
Decrease (increase) in accounts receivable	**49,518**	(38,362)
Decrease (increase) in grants receivable	**1,199,889**	(1,326,069)
Decrease (increase) in due to other municipalities	**18,750**	(20,950)
Increase in due from Wastewater Facility Solar LP	**(20,737)**	-
Increase in accounts payable and accrued liabilities	**228,555**	318,574
Increase (decrease) in user charges payable	**(15,144)**	5,059
Decrease in deferred revenue	**(596,684)**	(616,805)
Decrease (increase) in prepaid expenses	**(7,616)**	69,106
Cash provided by operating transactions	**3,196,505**	1,040,526
CAPITAL		
Acquisition of tangible capital assets	**(2,267,456)**	(2,564,074)
Proceeds on disposal of tangible capital assets	**11,324**	26,946
Cash used in capital transactions	**(2,256,132)**	(2,537,128)
INVESTING		
Contributions to investment in Anemos Wastewater Facility Solar LP	**-**	(5,089)
Decrease in investment in Anemos Wastewater Facility Solar LP	**13,923**	-
Proceeds on disposal of short-term investments	**-**	620,600
Cash provided by investing transactions	**13,923**	615,511
FINANCING		
Debt principal repayment	**(104,543)**	(102,103)
Cash used in financing transactions	**(104,543)**	(102,103)
Increase (decrease) in cash and cash equivalents	**849,753**	(983,194)
Opening cash and cash equivalents	**1,996,820**	2,980,014
Closing cash and cash equivalents	**2,846,573**	1,996,820

See accompanying notes to the consolidated financial statements.

The Corporation of the Township of Schreiber
Notes to the Consolidated Financial Statements
December 31, 2018

GENERAL

The Corporation of the Township of Schreiber is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements of The Corporation of the Township of Schreiber are prepared by management in accordance with accounting policies generally accepted for the local government as prescribed by the Public Sector Accounting Board ("PSAB") of CPA Canada. The more significant of these accounting policies are as follows:

[a] Basis of consolidation

Reporting entity

These consolidated financial statements reflect the financial assets, liabilities, revenues, expenses, and accumulated surplus of the reported entity. The reporting entity is comprised of all organizations, local boards, and committees accountable for the administration of their financial affairs and resources, to the Township, and which are owned or controlled by the Township. Accordingly, the following are consolidated in these financial statements.

Schreiber Public Library Board

All interfund balances and transactions have been eliminated.

Government partnerships

Certain organizations in which the Township participates are accounted for on a proportionate consolidation basis, consistent with the treatment for government partnerships. Under the proportionate consolidation basis of accounting, the Township's pro-rata share of the assets, liabilities, revenues and expenditures that are subject to shared control is combined on a line-by-line basis with similar items in the Township's financial statements. The entity that is accounted for in this manner is:

Thunder Bay Area Emergency Measures Organization

Local boards

The financial activities of certain entities associated with the Township are not consolidated. The Township's contribution to these entities are recorded in the Consolidated Statement of Operations and Accumulated Surplus. The entities that are accounted for in this manner are:

Thunder Bay District Health Unit
The District of Thunder Bay Social Services Administration Board

Trust funds

Certain assets have been conveyed or assigned to the Township to be administered as directed by agreement or statute. The Township holds the assets for the benefit of and stand in fiduciary relationship to the beneficiaries, as a result, the trust funds and assets are excluded from their financial statements.

Accounting for school board transactions

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

[b] Basis of accounting

Accrual accounting

The Township uses the accrual basis of accounting which recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent. It recognizes a liability until the obligation or conditions underlying the liability is partly or wholly satisfied and recognizes an asset until the future economic benefit underlying the asset is partly or wholly used or lost.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances in banks.

Short-term investments

Short-term investments are recorded using the cost method. The carrying value of an investment is written-down to its net recoverable amount if a decline in market value is judged to be other than temporary.

Long-term investments

Long-term investments in shares of limited partnerships are valued using the modified equity method.

Pension and employee benefits

The Township accounts for its participation in the Ontario Municipal Employee Retirement System ("OMERS"), a multi-employer defined benefit plan, as a defined contribution plan. Obligations for sick leave under accounts payable and accrued liabilities are accrued as the employees render the services necessary to earn the benefits. Vacation pay and other post-employment benefits are charged to operations in the year earned.

Non-financial assets

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

[a] Tangible capital assets

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

Buildings	20 to 60 years
Computer hardware and software	5 to 10 years
Furniture and equipment	5 to 25 years
Land improvements	15 to 60 years
Library collections	25 years
Linear assets	
- roads	15 to 60 years
- sanitary sewer	50 to 60 years
- water distribution	40 to 60 years
Machinery and equipment	8 to 40 years
Vehicles	5 to 20 years

Assets under construction are not amortized until the asset is available for productive use, at which time they are transferred to their respective tangible capital asset categories.

[b] Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

[c] Tangible capital assets recognized at nominal value

Certain assets were recorded at a nominal value on adoption of tangible capital assets due to the difficulty in determining an appropriate value. The most significant of such assets are the Township's road allowances and vacant property.

[d] Leases

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

Reserves and reserve funds

Certain amounts, as approved by the Township Council, are set aside in reserves and reserve funds for future operating and capital purposes. Council segregates its accumulated surplus into various categories including reserves and reserve funds which are specifically for future operating and capital purposes.

Taxation revenue

Taxes are recognized as assets and revenue when they meet the definition of an asset, are authorized and the taxable event occurs, which for property taxes is the period for which the tax is levied.

At each financial statement date, management evaluates the extent to which its tax receivables are ultimately collectible and valuation allowances are used to reflect tax receivables at their net recoverable amount.

At each financial statement date, management evaluates the likelihood of having to repay taxes collected under tax measures that have been deemed authorized using the concept of legislative convention and recognizes a liability when required. Related refunds are accounted for in the period in which the change in estimate occurs.

Revenue recognition

User charges and fees are recognized as revenue in the period in which the related services are performed. Amounts collected for which the related services have yet to be performed are recognized as a liability and recognized as revenue when the related services are performed.

Interest is recognized as it is earned. Interest earned on obligatory reserve funds is added to the fund balance and forms part of the deferred revenue balance. Investment income earned on reserve funds is added to the fund balance and forms part of the reserve fund balance.

Funds received, other than government transfers and tax revenue, for specific purposes which are externally restricted by legislation, regulation or agreement and that are not available for general purposes are accounted for as deferred revenue on the Consolidated Statement of Financial Position. The revenue is recognized in the Consolidated Statement of Operations and Accumulated Surplus in the year in which it is used for the specified purpose.

Government transfers

Government transfers are transfers of monetary assets or tangible capital assets from a government to an individual, an organization or another government that are not the result of an exchange transaction, expected to be repaid in the future or expected to produce a direct financial return. Government transfers received are recognized in the consolidated financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

Government transfers made to a recipient by the Township are recorded as an expense when they are authorized and the recipient meets all eligibility criteria.

Obligatory reserve funds

The Township receives Gas Tax proceeds from the Federal Government through the Association of Municipalities of Ontario. These funds, by their nature, are restricted in their use and, until applied to specific expenses are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period they are expended. See note 6 for more details.

The Township received proceeds from the Nuclear Waste Management Organization. These funds are restricted in their use and, until applied to specific expenses are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

Landfill closure and post-closure liability

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

Use of estimates

The preparation of 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Township may undertake in the future. Significant accounting estimates include valuation allowance for accounts receivable, estimated useful lives of tangible capital assets, employee benefits payable, and solid waste landfill closure and post-closure liabilities. Actual results could differ from these estimates.

The Corporation of the Township of Schreiber
Notes to the Consolidated Financial Statements
December 31, 2018

2. TRUST FUNDS

Trust funds administered by the Township amounting to $104,891 [2017 - $102,313] have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus.

3. TAXES RECEIVABLE

	2018 $	2017 $
Property and business taxes receivable	**1,070,290**	1,195,704
Allowance for property and business tax arrears	**(632,849)**	(964,226)
	437,441	231,478

4. CASH AND CASH EQUIVALENTS

	2018 $	2017 $
Cash on hand	**2,063,349**	1,188,473
Savings account	**842,720**	836,450
Outstanding deposits	**10,867**	54,745
Outstanding cheques	**(70,363)**	(82,848)
	2,846,573	1,996,820

The Township has available a demand operating loan of $2,800,000 [2017 - $2,800,000] for which the Township has provided a general security agreement, of which $nil [2017 - $nil] was borrowed at year-end. Interest on the loan is calculated at bank prime [3.95% at year-end].

The Corporation of the Township of Schreiber
Notes to the Consolidated Financial Statements
December 31, 2018

5. DEFERRED REVENUE

	2018	2017
	$	$
Obligatory reserve funds		
Federal Gas Tax proceeds	**209,717**	207,844
Provincial Gas Tax proceeds	**155,709**	132,092
Nuclear Waste Management Organization - Well Being Fund proceeds	**422,016**	470,495
General deferred revenue		
Association of Municipalities of Ontario	**38,582**	-
Other	**1,097**	1,250
Ontario Community Infrastructure Fund	**-**	607,055
Ministry of Transportation - State of Good Repairs Needs - grant proceeds	**8,169**	8,169
Library - funding	**-**	5,069
	835,290	1,431,974

The continuity of deferred revenue is as follows:

	Government Transfer	**Other**	**Total 2018**	Total 2017
	$	$	$	$
Balance, beginning of year	**8,169**	**1,423,805**	**1,431,974**	2,048,779
Investment income	**-**	**7,555**	**7,555**	8,364
Net contributions to current operations	**-**	**(760,246)**	**(760,246)**	(717,772)
Grant proceeds	**-**	**156,007**	**156,007**	92,603
Balance, end of year	**8,169**	**827,121**	**835,290**	1,431,974

6. PENSION AGREEMENTS

The Township makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of certain 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. The amount contributed to OMERS for 2018 was $74,989 [2017 - $69,699] for current service.

The Corporation of the Township of Schreiber
Notes to the Consolidated Financial Statements
December 31, 2018

7. DEBT

[a] The balance of debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2018 $	2017 $
Term loan repayable in blended monthly instalments of $4,691, including interest at 2.40% per annum, maturing in January, 2020.	**55,583**	109,817
Term loan repayable in blended monthly instalments of $2,559, including interest at 3.90% per annum, maturing in January, 2027.	**212,453**	234,418
Term loan repayable in blended monthly instalments of $1,134, including interest at 3.28% per annum, maturing in June, 2019.	**6,730**	19,884
Term loan repayable in blended monthly instalments of $1,770, including interest at 3.90% per annum, maturing January, 2027.	**146,973**	162,163
	421,739	526,282

[b] Principal due on debt is summarized as follows:

	$
2019	100,902
2020	40,140
2021	41,734
2022	43,391
2023	45,114
Thereafter	150,458
	421,739

[c] The debt in [a] issued in the name of the Township has been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ontario Ministry of Municipal Affairs and Housing.

[d] Total interest charges for debt reported on the Consolidated Statement of Operations and Accumulated Surplus are $17,281 [2017 - $20,409].

8. POST-RETIREMENT BENEFITS

The post-retirement benefits relate to health care costs that the Township will cover for specific retired employees. Township employees entitled to the post-retirement benefit are identified through the Union Agreement and also include any non-union management employees. Management's estimate is determined based on the type of policy the employee will receive, expected costs using market data and the expected date of employee's retirement. Based on these factors, management took the total estimated costs and discounted it at a rate of 3.95%.

9. RELATED PARTY TRANSACTIONS

[a] Measurement basis

Related party transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

[b] Related companies

Anemos Wastewater Facility Solar LP (Limited Partnership) is 15.1% owned by the Township and the remaining 84.9% owned by Anemos Energy Corporation.

	2018 $	2017 $
Transactions with Limited Partnership		
Revenues - Land rent	**-**	500

As at July 16, 2018, the Partnership discontinued their operations terminating agreements with the Township. As a result, the Township recognized a receivable of $20,737 from the Partnership relating to their contributions to date.

10. LANDFILL CLOSURE AND POST-CLOSURE

The Township's landfill usage is limited to de-watering treated waste sludge from the Municipal Water Pollution Control Plant. The main components of the landfill closure includes soil testing and seeding.

The estimated liability for this cost is the present value for future cash flows associated with closure and post-closure costs discounted using the Township's average long-term borrowing rate of 6%. The total discounted outflow in the future is estimated to be $5,000. No provision has been made in these consolidated financial statements in respect to landfill closure and post-closure costs. An amount of $208,086 [2017 - $208,086] has been provided in a reserve to fund future landfill expansion and emergencies (Schedule 1).

According to the Certificate of Approval issued by the Ontario Ministry of Environment, the size of the site is 0.371 hectares, with a maximum capacity not to exceed 1,200m3. Management has estimated that the life of the site is unlimited due to the current maintenance processes in place.

11. TANGIBLE CAPITAL ASSETS

Schedule 2 provides information on the tangible capital assets of the Township by major asset class, as well as accumulated amortization of the assets controlled.

There were no write-downs of assets during 2018 [2017 - $nil].

Interest capitalized during 2018 was $nil [2017 - $nil].

There were no contributed tangible capital assets in 2018 [2017 - $nil].

12. SEGMENTED INFORMATION

The Corporation of the Township of Schreiber provides a wide range of services to its citizens. The schedule of segment disclosure provides a breakdown of the annual surplus (deficit) reported on the Consolidated Statement of Operations and Accumulated Surplus by major reporting segment. The segments correspond to the major functional categories used in the Township's Financial Information Return, which includes the following activities:

General government
General government comprises various administrative services, including the Finance Department, and Mayor and Council.

Protection to persons and property
Protection to persons and property is comprised of police services, fire services, and protective inspection and control. The police services are contracted from the Ontario Provincial Police. The Volunteer Fire Services Department is responsible for fire suppression, fire prevention programs, and training and education related to prevention, detection or extinguishment of fires. Protective inspection and control ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-laws for the protection of occupants. Protective inspection and control also represents the Township's proportionate share of the activities of the Thunder Bay Area Emergency Measures Organizations ("EMO").

Transportation services
Transportation services include roadways, winter control, transit, parking and street lighting. Roadways covers the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, culverts and sidewalks. Winter control includes snowplowing, sanding and salting, snow removal and flood control. The Township develops and maintains the street lighting system.

Environmental services
Environmental services consist of waterworks, sanitary sewer, waste collection and disposal and recycling. Waterworks provides drinking water to the citizens of Schreiber. Sanitary sewer collects and treats wastewater and waste collection and disposal and recycling includes the collection of solid waste, landfill site operations and waste minimization programs.

Health services
Health services includes public health services and ambulance services. Public health services represents the Township's contribution to the activities of the Thunder Bay District Health Unit. The Thunder Bay District Health Unit provides health information and prevention-related clinical services, advocates for healthy public policy, investigates reportable diseases, and upholds regulations that apply to public health. Ambulance services are contracted from the Superior North Emergency Medical Services ("SNEMS"). SNEMS is responsible for providing emergency medical and ambulatory services to the residents of the District of Thunder Bay.

Social and family services
Social and family services represents the Township's contributions to the activities of The District of Thunder Bay Social Services Administration Board ("TBDSSAB"). TBDSSAB is responsible for Ontario Works program delivery, child care services and social housing.

Recreation and cultural services
Recreation and cultural services include parks, recreation programs and facilities, public library and contributions to cultural organizations. The Community Services Department provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services such as fitness and aquatic programs, the development and maintenance of various recreational facilities, and the maintenance of parks and open spaces. The public library is dedicated to providing community access to local and global information resources that support lifelong learning, research and leisure activities. The Township makes contributions to various cultural organizations under specific funding programs.

Planning and development
The Township manages development for business interest, environmental concerns, heritage matters, and local neighbourhoods through community development and approval of all land development plans.

The accounting policies used in these segments are consistent with those followed in the preparation of these consolidated financial statements as disclosed in note 1. For additional information see the Consolidated Schedule of Segment Disclosure (Schedule 3).

The Corporation of the Township of Schreiber
Notes to the Consolidated Financial Statements
December 31, 2018

13. RESERVES AND RESERVE FUNDS

The continuity of reserves and reserve funds which makes up part of accumulated surplus in Schedule 1 is as follows:

	2018 $	2017 $
Reserves		
Balance, beginning of year	**1,716,117**	1,527,973
Increases		
Transfer from current operations	**283,836**	416,232
Decreases		
Transfer to current operations	**3,350**	222,999
Transfer to capital operations	**79,633**	5,089
	82,983	228,088
Balance, end of year	**1,916,970**	1,716,117

	2018 $	2017 $
Reserve funds		
Balance, beginning of year	**28,259**	21,819
Increases		
Contributions from current operations	**8,251**	14,088
Interest earned	**255**	184
	8,506	14,272
Decreases		
Contributions to current operations	**9,730**	7,832
	9,730	7,832
Balance, end of year	**27,035**	28,259

Subsequent to year-end, the general fund has been decreased by an amount of $64,841 transferred from reserve and reserve funds as authorized by various resolutions issued subsequent to year-end. Had this increase not been made, the balance of the Township's funds would have been as follows: general fund of $71,852, reserves of $1,852,129 and reserve funds of $27,035.

14. DESIGNATED ASSETS

Of the financial assets reported on the Consolidated Statement of Financial Position, the Council has designated $27,035 [2017 - $28,259] to support reserve funds.

15. BUDGET FIGURES

Public Sector Accounting Standards require a comparison of the results for the period with those originally planned on the same basis as that used for actual results. The fiscal plan in the Consolidated Statement of Operations and Accumulated Surplus has been adjusted to be presented on a consistent basis as actual results. Below is a reconciliation of the figures from the approved fiscal plan to the fiscal plan per the financial statements:

	Approved Fiscal Plan $	Adjustments $	Fiscal Plan per Financial Statements $
Revenue			
Taxation	**1,862,652**	**-**	**1,862,652**
User charges	**838,810**	**-**	**838,810**
Government transfers	**6,737,113**	**(963,657)**	**5,773,456**
Other	**258,246**	**-**	**258,246**
	9,696,821	**(963,657)**	**8,733,164**
Expenses			
General government	**1,507,767**	**(413,302)**	**1,094,465**
Protection to persons and property	**413,908**	**20,956**	**434,864**
Transportation services	**653,668**	**31,039**	**684,707**
Environmental services	**2,335,340**	**(1,331,438)**	**1,003,902**
Health services	**103,870**	**21,550**	**125,420**
Social and family services	**76,000**	**10,335**	**86,335**
Recreation and cultural services	**619,699**	**106,869**	**726,568**
Planning and development	**3,818,140**	**(3,600,000)**	**218,140**
Library	**168,429**	**2,857**	**171,286**
	9,696,821	**(5,151,134)**	**4,545,687**
Annual surplus	**-**	**4,187,477**	**4,187,477**
Interfund transfers	**(478,177)**	**(478,177)**	
Capital items	**5,910,277**	**5,910,277**	
Annual surplus	**(248,012)**	**(248,012)**	
Debt repayments	**121,830**	**121,830**	
Borrowings	**(700,000)**	**(700,000)**	
Unexpected capital	**228,164**	**228,164**	
Amortization	**-**	**(646,605)**	
Approved surplus	**4,834,082**	**4,187,477**	

16. COMMITMENTS

The Township leases certain equipment under operating leases. As well, the Township has entered into agreements as follows:

An agreement with a trucking company for the collection and removal of garbage. This agreement expires August 31, 2023.

The future payments expected over the next five years are as follows:

	$
2019	35,258
2020	100,034
2021	96,923
2022	96,923
2023	64,776
	393,914

17. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2018 consolidated financial statements.

The Corporation of the Township of Schreiber
Schedule 1
Consolidated Schedule of Accumulated Surplus

Year ended December 31	2018	2017
	$	$
Surpluses		
General fund	**7,011**	21,380
Investment in tangible capital assets	**14,675,175**	13,054,327
Unfunded		
Post-retirement benefits	**(144,562)**	(167,783)
Debt	**(421,739)**	(526,282)
Total surpluses	**14,115,885**	12,381,642
Reserves set aside for specific purposes by Council		
For working capital	**469,214**	470,214
For fire truck	**212,008**	202,008
For water and sewer	**256,263**	185,964
For recreation infrastructure	**60,406**	60,406
For cemetery expansion	**18,521**	18,011
For landfill site operations and development	**208,086**	208,086
For Handitransit	**15,907**	15,907
For life insurance liabilities	**42,338**	42,338
For fire department equipment	**1,000**	-
For infrastructure/development	**520,950**	400,584
For CRF/LSR adjustment	**99,499**	99,499
For library	**12,778**	13,100
Total reserves	**1,916,970**	1,716,117
Reserve funds set aside for specific purposes by Council		
For recreation committee	**27,035**	28,259
Total reserves and reserve funds	**27,035**	28,259
Accumulated surplus	**16,059,890**	14,126,018

The Corporation of the Township of Schreiber
Consolidated Schedule of Tangible Capital Assets
Year ended December 31, 2018

Schedule 2

	General									Infrastructure			Totals	
	Land $	Buildings $	Land Improvements $	Machinery Equipment $	Vehicles $	Furniture and Equipment $	Computer Hardware and Software $	Library Collections $	Sanitary Sewer $	Roads $	Water Distribution $	Work-in-Progress $	2018 $	2017 $
COST														
Balance, beginning of year	**775,759**	**9,596,527**	**2,238,462**	**3,180,084**	**1,769,585**	**233,261**	**78,717**	**285,108**	**1,641,387**	**4,114,446**	**2,279,116**	**1,069,125**	**27,261,577**	24,872,754
Add														
Additions during the year	**9**	**103,008**	**-**	**18,948**	**-**	**-**	**-**	**6,366**	**-**	**-**	**-**	**2,139,125**	**2,267,456**	2,564,074
Less														
Disposals during the year	**5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5**	175,251
Balance, end of year	**775,763**	**9,699,535**	**2,238,462**	**3,199,032**	**1,769,585**	**233,261**	**78,717**	**291,474**	**1,641,387**	**4,114,446**	**2,279,116**	**3,208,250**	**29,529,028**	27,261,577
ACCUMULATED AMORTIZATION														
Balance, beginning of year	**-**	**4,555,695**	**1,614,553**	**2,616,337**	**1,033,974**	**182,457**	**34,290**	**183,954**	**1,023,053**	**1,466,717**	**1,496,218**	**-**	**14,207,248**	13,730,196
Add														
Amortization during the year	**-**	**202,483**	**47,770**	**79,666**	**90,446**	**17,005**	**7,027**	**11,532**	**25,562**	**122,860**	**42,254**	**-**	**646,605**	634,689
Less														
Accumulated amortization on disposals	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	157,637
Balance, end of year	**-**	**4,758,178**	**1,662,323**	**2,696,003**	**1,124,420**	**199,462**	**41,317**	**195,486**	**1,048,615**	**1,589,577**	**1,538,472**	**-**	**14,853,853**	14,207,248
Net book value of tangible capital assets, beginning of year	**775,759**	**5,040,832**	**623,909**	**563,747**	**735,611**	**50,804**	**44,427**	**101,154**	**618,334**	**2,647,729**	**782,898**	**1,069,125**	**13,054,329**	11,142,558
Net book value of tangible capital assets, end of year	**775,763**	**4,941,357**	**576,139**	**503,029**	**645,165**	**33,799**	**37,400**	**95,988**	**592,772**	**2,524,869**	**740,644**	**3,208,250**	**14,675,175**	13,054,329

The Corporation of the Township of Schreiber

Schedule 3

Consolidated Schedule of Segment Disclosure

Year ended December 31, 2018

	General Government		Protection to Persons and Property		Transportation Services		Environmental Services		Health Services	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	$	$	$	$	$	$	$	$	$	$
Revenues										
Taxation	**1,880,062**	1,900,028	**-**	-	**-**	-	**-**	-	**-**	-
Government transfers - operating	**833,700**	860,600	**5,667**	10,990	**-**	-	**-**	-	**1,680**	-
Government transfers - capital	**-**	-	**-**	-	**-**	87,241	**1,614,485**	1,697,790	**-**	-
User fees and service charges	**4,261**	2,043	**20,703**	71,460	**8,095**	7,635	**711,180**	693,640	**4,380**	3,190
Other municipalities	**-**	-	**-**	-	**23,332**	20,935	**-**	-	**-**	-
Other revenues	**220,186**	158,294	**21,997**	12,112	**6,000**	6,000	**3,387**	3,319	**46,930**	46,588
Interest income - general	**22,880**	12,390	**-**	-	**-**	-	**-**	-	**-**	-
Interest income - reserves and reserve funds	**255**	8,548	**-**	-	**-**	-	**-**	-	**-**	-
	2,961,344	2,941,903	**48,367**	94,562	**37,427**	121,811	**2,329,052**	2,394,749	**52,990**	49,778
Expenditures										
Salaries, wages and employee benefits	**383,699**	558,416	**52,062**	53,077	**254,956**	259,998	**52,759**	42,665	**12,557**	14,335
Long-term debt charges	**9,198**	16,977	**-**	-	**8,083**	3,435	**-**	-	**-**	-
Materials	**141,957**	597,352	**83,583**	73,089	**218,245**	180,666	**344,547**	348,573	**30,992**	30,283
Contracted services	**85,321**	54,379	**229,430**	232,730	**-**	-	**350,728**	339,315	**-**	-
Rent and financials	**5,892**	5,715	**-**	-	**1,796**	2,190	**17,674**	20,363	**778**	715
External transfers to others	**-**	-	**-**	-	**-**	-	**-**	-	**55,160**	53,986
Amortization	**66,881**	65,839	**38,956**	38,171	**191,949**	180,106	**186,207**	188,253	**21,550**	21,046
	692,948	1,298,678	**404,031**	397,067	**675,029**	626,395	**951,915**	939,169	**121,037**	120,365
Net revenues (expenses) before undernoted item	**2,268,396**	1,643,225	**(355,664)**	(302,505)	**(637,602)**	(504,584)	**1,377,137**	1,455,580	**(68,047)**	(70,587)
Gain on disposal of tangible capital assets	**11,319**	9,332	**-**	-	**-**	-	**-**	-	**-**	-
Annual surplus (deficit)	**2,279,715**	1,652,557	**(355,664)**	(302,505)	**(637,602)**	(504,584)	**1,377,137**	1,455,580	**(68,047)**	(70,587)

The Corporation of the Township of Schreiber

Consolidated Schedule of Segment Disclosure

Year ended December 31, 2018

Schedule 3 (continued)

	Social and Family Services		Recreation and Cultural Services		Planning and Development		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	$	$	$	$	$	$	$	$
Revenues								
Taxation	**-**	-	**-**	-	-	-	**1,880,062**	1,900,028
Government transfers - operating	**-**	-	**81,663**	107,852	**195,308**	209,161	**1,118,018**	1,188,603
Government transfers - capital	**-**	-	**-**	-	**-**	-	**1,614,485**	1,785,031
User fees and service charges	**11,077**	13,012	**108,736**	132,088	**-**	-	**868,432**	923,068
Other municipalities	**-**	-	**-**	-	**-**	-	**23,332**	20,935
Other revenues	**-**	-	**21,189**	43,967	**-**	121,912	**319,689**	392,192
Interest income - general	**-**	-	**-**	-	**-**	-	**22,880**	12,390
Interest income - reserves and reserve funds	**-**	-	**-**	-	**-**	-	**255**	8,548
	11,077	13,012	**211,588**	283,907	**195,308**	331,073	**5,847,153**	6,230,795
Expenditures								
Salaries, wages and employee benefits	**-**	-	**385,677**	365,482	**93,574**	125,486	**1,235,284**	1,419,459
Long-term debt charges	**-**	-	**-**	-	**-**	-	**17,281**	20,412
Materials	**-**	-	**315,565**	313,090	**19,489**	48,144	**1,154,378**	1,591,197
Contracted services	**9,629**	13,610	**47,430**	48,291	**14,355**	12,400	**736,893**	700,725
Rent and financials	**-**	-	**3,405**	1,559	**-**	-	**29,545**	30,542
External transfers to others	**49,454**	53,556	**-**	-	**-**	-	**104,614**	107,542
Amortization	**10,335**	7,426	**130,727**	133,848	**-**	-	**646,605**	634,689
	69,418	74,592	**882,804**	862,270	**127,418**	186,030	**3,924,600**	4,504,566
Net revenues (expenses) before undernoted item	**(58,341)**	(61,580)	**(671,216)**	(578,363)	**67,890**	145,043	**1,922,553**	1,726,229
Gain on disposal of tangible capital assets	**-**	-	**-**	-	**-**	-	**11,319**	9,332
Annual surplus (deficit)	**(58,341)**	(61,580)	**(671,216)**	(578,363)	**67,890**	145,043	**1,933,872**	1,735,561

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
Suite 300
979 Alloy Drive
Thunder Bay, ON
P7B 5Z8

T +1 807 345 6571
F +1 807 345 0032

To the Board Members of
Schreiber Public Library Board

Opinion
We have audited the financial statements of Schreiber Public Library Board ("the Board"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and accumulated surplus, change in net financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Schreiber Public Library Board as at December 31, 2018, and its results of operations, its changes in its net assets, 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 Board 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.

Responsibilities of Management and Those Charged with Governance for the financial Statements
Management is responsible for the preparation and fair presentation of these 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 Board's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

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

©Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd. All rights reserved.

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 Board'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 Board'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 Board 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.

Grant Thornton LLP

Thunder Bay, Canada
May 2, 2019

Chartered Professional Accountants
Licensed Public Accountants

Schreiber Public Library Board
Statement of Financial Position

As at December 31	**2018**	2017
	$	$
FINANCIAL ASSETS		
Cash	**77**	107
Due from the Province of Ontario	**13,817**	1,314
Due from The Corporation of the Township of Schreiber	**-**	12,458
Total financial assets	**13,894**	13,879
LIABILITIES		
Accounts payable and accrued liabilities	**1,700**	1,700
Deferred revenue	**-**	5,069
Total liabilities	**1,700**	6,769
NET FINANCIAL ASSETS	**12,194**	7,110
NON-FINANCIAL ASSETS		
Tangible capital assets *[note 2]*	**215,337**	221,829
Accumulated surplus *[note 3]*	**227,531**	228,939

See accompanying notes to the financial statements.

Schreiber Public Library Board
Statement of Operations and Accumulated Surplus

Year ended December 31	2018 Budget $ *[note 5]*	2018 Actual $	2017 Actual $
REVENUES			
Municipal contribution	**127,954**	**121,335**	221,866
Province of Ontario grants	**19,910**	**23,610**	25,530
Government of Canada grants	**1,260**	**1,260**	1,026
Other revenue	**1,515**	**3,755**	3,760
Total revenues	**150,639**	**149,960**	252,182
EXPENSES			
Amortization	**12,857**	**12,857**	12,823
Community programs	**6,700**	**2,713**	3,125
Computer	**2,700**	**2,736**	6,001
Insurance	**570**	**570**	965
Library office supplies	**2,800**	**2,747**	1,869
Maintenance and repairs	**2,100**	**2,073**	1,532
Miscellaneous	**1,000**	**981**	850
Office equipment	**2,350**	**2,423**	2,253
Periodicals and audio visual materials	**1,600**	**1,823**	1,312
Professional development	**500**	**669**	408
Professional fees	**1,700**	**1,700**	1,700
Salaries and benefits	**114,909**	**102,601**	83,496
Special projects	**2,000**	**7,241**	16,724
Telephone and postage	**2,500**	**2,537**	2,284
Travel and conventions	**2,500**	**2,035**	1,375
Utilities	**8,500**	**5,662**	6,208
Total expenses	**165,286**	**151,368**	142,925
Annual surplus (deficit)	**(14,647)**	**(1,408)**	109,257
Accumulated surplus, beginning of year	**-**	**228,939**	119,682
Accumulated surplus, end of year	**(14,647)**	**227,531**	228,939

See accompanying notes to the financial statements.

Schreiber Public Library Board
Statement of Change in Net Financial Assets

Year ended December 31	**2018**	**2018**	2017
	Budget	**Actual**	Actual
	$	$	$
	[note 5]		
Annual surplus (deficit)	**(14,647)**	**(1,408)**	109,257
Acquisition of tangible capital assets	**(6,000)**	**(6,365)**	(106,378)
Amortization of tangible capital assets	**12,857**	**12,857**	12,823
Increase (decrease) in net financial assets	**(7,790)**	**5,084**	15,702
Net financial assets, beginning of year	**7,110**	**7,110**	(8,592)
Net financial assets, end of year	**(680)**	**12,194**	7,110

See accompanying notes to the financial statements.

Schreiber Public Library Board
Statement of Cash Flows

Year ended December 31	**2018**	2017
	$	$
OPERATIONS		
Annual surplus (deficit)	**(1,408)**	109,257
Non-cash charges		
Amortization of tangible capital assets	**12,857**	12,823
	11,449	122,080
Net change in non-cash working capital balances		
Decrease (increase) in due from the Province of Ontario	**(12,503)**	299
Decrease (increase) in due from The Corporation of the Township of Schreiber	**12,458**	(21,000)
Decrease in deferred revenue	**(5,069)**	(3,330)
Cash provided by operating transactions	**6,335**	98,049
CAPITAL		
Acquisition of tangible capital assets	**(6,365)**	(106,378)
Cash used in capital transactions	**(6,365)**	(106,378)
Decrease in cash and cash equivalents	**(30)**	(8,329)
Opening cash and cash equivalents	**107**	8,436
Closing cash and cash equivalents	**77**	107

See accompanying notes to the financial statements.

Schreiber Public Library Board
Notes to the Financial Statements
December 31, 2018

GENERAL

The Schreiber Public Library Board is dedicated to providing community access to local and global information resources that support lifelong learning, research and leisure activities.

The Schreiber Public Library Board is a municipal organization.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements of the Schreiber Public Library Board are prepared by management in accordance with accounting policies generally accepted for the local government as prescribed by the Public Sector Accounting Board ("PSAB") of CPA Canada. The more significant of these accounting policies are as follows:

Accrual accounting

The Library uses the accrual basis of accounting which recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent. It recognizes a liability until the obligation or conditions underlying the liability is partly or wholly satisfied and recognizes an asset until the future economic benefit underlying the assets is partly or wholly used or lost.

Non-financial assets

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

[a] Tangible capital assets

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

Buildings	20 to 60 years
Computer hardware	5 to 10 years
Furniture and equipment	5 to 25 years
Library collections	25 years

Assets under construction are not amortized until the asset is available for productive use, at which time they are transferred to their respective tangible capital asset categories.

[b] Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

[c] Leases

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

Reporting entity

The financial statements reflect the assets, liabilities, revenues, expenses and accumulated surplus of the Library Board.

Revenue recognition

Funds received, other than government transfers, for specific purposes which are externally restricted by legislation, regulation or agreement and that are not available for general purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the Statement of Operations and Accumulated Surplus in the year in which it is used for the specified purpose.

Government transfers

Government transfers are transfers of monetary assets or tangible capital assets from a government to an individual, an organization or another government that are not the result of an exchange transaction, expected to be repaid in the future or expected to produce a direct financial return. Government transfers received are recognized in the financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

Government transfers made to a recipient by the Library are recorded as an expense when they are authorized and the recipient meets all eligibility criteria.

Schreiber Public Library Board
Notes to the Financial Statements
December 31, 2018

Use of estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Library Board may undertake in the future. Significant accounting estimates include allowance for doubtful accounts and useful lives of tangible capital assets. Actual results could differ from those estimates.

2. TANGIBLE CAPITAL ASSETS

	Buildings $	Library Collections $	Computer Hardware $	Furniture and Equipment $	Work-in-Progress $	2018 Total $	2017 Total $
COST							
Balance, beginning of year	**140,800**	**285,109**	**29,349**	**49,875**	**-**	**505,133**	398,755
Add:							
Additions during the year	**-**	**6,365**	**-**	**-**	**-**	**6,365**	106,378
Transfers	**-**	**-**	**-**	**-**	**-**	**-**	-
Balance, end of year	**140,800**	**291,474**	**29,349**	**49,875**	**-**	**511,498**	505,133
ACCUMULATED AMORTIZATION							
Balance, beginning of year	**23,800**	**183,955**	**26,125**	**49,424**	**-**	**283,304**	270,481
Add:							
Amortization during the year	**-**	**11,531**	**1,290**	**36**	**-**	**12,857**	12,823
Balance, end of year	**23,800**	**195,486**	**27,415**	**49,460**	**-**	**296,161**	283,304
Net book value of tangible capital assets, beginning of year	**117,000**	**101,154**	**3,224**	**451**	**-**	**221,829**	128,274
Net book value of tangible capital assets, end of year	**117,000**	**95,988**	**1,934**	**415**	**-**	**215,337**	221,829

Schreiber Public Library Board
Notes to the Financial Statements
December 31, 2018

3. ACCUMULATED SURPLUS

	2018	2017
	$	$
General fund	**12,194**	7,110
Investment in tangible capital assets	**215,337**	221,829
	227,531	228,939

4. COMMITMENTS

The Library leases various office equipment under operating leases. The future minimum annual lease payments over the next two years are as follows:

	$
2019	1,220
2020	915
	2,135

5. BUDGET FIGURES

The operating budget approved by the Library Board for 2018 is reflected on the Statement of Operations and Accumulated Surplus. The budget established for capital investment in tangible capital assets is on a project-oriented basis, the costs of which may be incurred over a number of years and therefore may not be comparable with the current year's actual expenses. Budget figures have been restated to be comparable with the PSAB reporting reflected in the actual results. Below is a reconciliation of figures from the approved fiscal plan to the fiscal plan per the financial statements.

Schreiber Public Library Board
Notes to the Financial Statements
December 31, 2018

Note 5 - Budget Figures continued

	Approved Fiscal Plan $	Adjustments $	Fiscal Plan per Financial Statements $
Revenue			
Municipal contribution	**135,744**	**(7,790)**	**127,954**
Province of Ontario grants	**19,910**	**-**	**19,910**
Government of Canada grants	**1,260**	**-**	**1,260**
Other	**1,515**	**-**	**1,515**
	158,429	**(7,790)**	**150,639**
Expenses			
Amortization	**-**	**12,857**	**12,857**
Community programs	**6,700**	**-**	**6,700**
Computer	**2,700**	**-**	**2,700**
Insurance	**570**	**-**	**570**
Library office supplies	**2,800**	**-**	**2,800**
Maintenance and repairs	**2,100**	**-**	**2,100**
Miscellaneous	**1,000**	**-**	**1,000**
Office equipment	**2,350**	**-**	**2,350**
Periodicals and audio visual materials	**7,600**	**(6,000)**	**1,600**
Professional development	**500**	**-**	**500**
Professional fees	**1,700**	**-**	**1,700**
Salaries and benefits	**114,909**	**-**	**114,909**
Special projects	**2,000**	**-**	**2,000**
Telephone and postage	**2,500**	**-**	**2,500**
Travel and conventions	**2,500**	**-**	**2,500**
Utilities	**8,500**	**-**	**8,500**
	158,429	**6,857**	**165,286**
Annual deficit	**-**	**(14,647)**	**(14,647)**
Capital items	**6,000**	**6,000**	
Interfund transfers	**(7,790)**	**(7,790)**	
Amortization	**-**	**(12,857)**	
Approved deficit	**(1,790)**	**(14,647)**	

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
Suite 300
979 Alloy Drive
Thunder Bay, ON
P7B 5Z8

T +1 807 345 6571
F +1 807 345 0032

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Township of Schreiber Trust Fund

Opinion
We have audited the financial statements of the Trust Fund of The Corporation of the Township of Schreiber ("the Trust"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and fund balances and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of The Corporation of the Township of Schreiber Trust Fund as at December 31, 2018, and its results of operations, and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 Trust 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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 Trust's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

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

©Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd. All rights reserved.

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 Trust'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 Trust'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 Trust 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.

Grant Thornton LLP

Thunder Bay, Canada
May 2, 2019

Chartered Professional Accountants
Licensed Public Accountants

The Corporation of the Township of Schreiber
Trust Fund
Statement of Financial Position

As at December 31

	Cemetery Perpetual Care	Cemetery Prepaid Services	2018 Total	2017 Total
	$	$	$	$
FINANCIAL ASSETS				
Cash	**104,637**	**154**	**104,791**	102,313
Due from The Corporation of the Township of Schreiber	**100**	**-**	**100**	-
	104,737	**154**	**104,891**	102,313
Accumulated surplus	**104,737**	**154**	**104,891**	102,313

See accompanying notes to the financial statements.

The Corporation of the Township of Schreiber
Trust Fund
Statement of Operations and Fund Balances

Year ended December 31

	Cemetery Perpetual Care	Cemetery Prepaid Services	2018 Total	2017 Total
	$	$	$	$
REVENUES				
Capital receipts	**2,230**	**-**	**2,230**	630
Interest earned	**348**	**-**	**348**	1,156
	2,578	**-**	**2,578**	1,786
EXPENSES	**-**	**-**	**-**	-
Annual surplus	**2,578**	**-**	**2,578**	1,786
Accumulated surplus, beginning of year	**102,159**	**154**	**102,313**	100,527
Accumulated surplus, end of year	**104,737**	**154**	**104,891**	102,313

See accompanying notes to the financial statements.

The Corporation of the Township of Schreiber
Trust Fund
Statement of Cash Flows

Year ended December 31	**2018**	2017
	$	$
OPERATING ACTIVITIES		
Annual surplus	**2,578**	1,786
Net change in non-cash working capital		
(Increase) decrease in due from The Corporation of the Township of Schreiber	**(100)**	210
Cash provided by operating transactions	**2,478**	1,996
Increase in cash during year	**2,478**	1,996
Cash, beginning of year	**102,313**	100,317
Cash, end of year	**104,791**	102,313

See accompanying notes to the financial statements.

The Corporation of the Township of Schreiber
Trust Fund
Notes to the Financial Statements
December 31, 2018

1. NATURE OF BUSINESS

The Corporation of the Township of Schreiber administers a perpetual care trust fund for the future care of the cemetery. The cemetery provides interment services for the benefit of the citizens of Schreiber.

2. ACCOUNTING POLICY

Basis of accounting

These financial statements of the Trust Fund have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

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

Grant Thornton

Consolidated Financial Statements

The Corporation of the Township of Terrace Bay

December 31, 2017

The Corporation of the Township of Terrace Bay
P.O. Box 40, 1 Selkirk Avenue, Terrace Bay, ON, P0T 2W0
Phone: (807) 825-3315 **Fax:** (807) 825-9576

Statement of Administrative Responsibility

The management of The Corporation of the Township of Terrace Bay have prepared the accompanying financial statements and are responsible for their accuracy and integrity. These statements consolidate all operations for which the Township has legislative and financial responsibility. The financial statements have been prepared by management in accordance with the accounting principles generally accepted for the public sector as prescribed by the Public Sector Accounting Board [PSAB] of the CPA Canada.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the administration has developed and maintains a system of internal control designed to provide reasonable assurance that Municipal assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the financial statements.

The Municipal Council reviews and approves the financial statements before such statements are submitted to the Ministry of Municipal Affairs and Housing and published for the residents of The Corporation of the Township of Terrace Bay. The external auditors have access to, and meet with Municipal Council to discuss their audit and the results of their examination.

The 2017 Financial Statements have been reported on by The Corporation of the Township of Terrace Bay's external auditors, Grant Thornton LLP, the auditors appointed by Municipal Council. The independent auditor's report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

Jon Hall, CAO/Clerk

George Davis, Mayor

Contents

	Page
Independent Auditor's Report	1 - 2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations and Accumulated Surplus	4
Consolidated Statement of Change in Net Financial Assets	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7 - 20
Schedule 1 - Consolidated Schedule of Accumulated Surplus	21
Schedule 2 - Consolidated Schedule of Tangible Capital Assets	22
Schedule 3 - Consolidated Schedule of Segment Disclosure	23 - 24
Consolidated Local Boards	
Terrace Bay Public Library Board	
Independent Auditor's Report	25 - 26
Statement of Financial Position	27
Statement of Operations and Accumulated Surplus	28
Statement of Change in Net Financial Assets	29
Statement of Cash Flows	30
Notes to the Financial Statements	31 - 34
Schedule 1 - Accumulated Surplus	35
Trust Funds	
Independent Auditor's Report	36 - 37
Statement of Financial Position	38
Statement of Operations and Accumulated Surplus	39
Statement of Cash Flows	40
Note to the Financial Statements	41

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
979 Alloy Drive
Thunder Bay, ON
P7B5Z8

T (807) 345-6571
F (807) 345-0032
www.GrantThornton.ca

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Township of Terrace Bay

We have audited the accompanying consolidated financial statements of The Corporation of the Township of Terrace Bay, which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Audit • Tax • Advisory
Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd

Grant Thornton

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Township of Terrace Bay as at December 31, 2017, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Thunder Bay, Canada
May 22, 2018

Chartered Professional Accountants
Licensed Public Accountants

The Corporation of the Township of Terrace Bay
Consolidated Statement of Financial Position

As at December 31	**2017**	2016
	$	$
FINANCIAL ASSETS		
Cash and cash equivalents *[note 3]*	**5,927,663**	4,975,913
Taxes receivable *[note 4]*	**540,667**	443,927
Accounts receivable	**389,258**	284,281
Total financial assets	**6,857,588**	5,704,121
LIABILITIES		
Accounts payable and accrued liabilities	**448,371**	549,785
Deferred revenue *[note 5]*	**1,227,194**	212,647
Long-term debt *[note 8]*	**1,490,154**	1,563,726
Landfill closure and post-closure liability *[note 10]*	**551,101**	415,905
Due to trust fund	**3,225**	1,900
Obligation under capital lease *[note 9]*	**47,672**	70,389
Total liabilities	**3,767,717**	2,814,352
NET FINANCIAL ASSETS	**3,089,871**	2,889,769
NON-FINANCIAL ASSETS		
Tangible capital assets - net *[note 11] [schedule 2]*	**24,968,443**	25,116,921
Prepaid expenses	**30,980**	24,794
	24,999,423	25,141,715
Accumulated surplus *[schedule 1]*	**28,089,294**	28,031,484

See accompanying notes to the consolidated financial statements.

The Corporation of the Township of Terrace Bay
Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31	2017 Budget $ *[note 15]*	2017 Actual $	2016 Actual $
REVENUES ***[schedule 3]***			
Taxation			
Residential and farm taxation	**1,611,012**	**1,611,012**	1,541,700
Commercial and industrial	**1,517,259**	**1,516,492**	1,559,510
Taxation from other governments	**65,683**	**283,322**	80,404
	3,193,954	**3,410,826**	3,181,614
User charges			
Water and sewer billings	**825,550**	**828,057**	788,627
Other fees and service charges	**409,702**	**495,049**	454,144
	4,429,206	**4,733,932**	4,424,385
Government transfers			
Government of Canada	**272,324**	**269,821**	145,474
Province of Ontario	**2,534,242**	**1,234,576**	1,074,974
Other municipalities	**73,701**	**49,088**	55,142
	2,880,267	**1,553,485**	1,275,590
Other			
Investment income	**27,100**	**84,227**	79,507
Penalties and late payment charges	**75,000**	**87,021**	78,175
Other	**2,830**	**22,725**	22,360
Contribution from trust fund	**200**	**-**	-
	105,130	**193,973**	180,042
Total revenues	**7,414,603**	**6,481,390**	5,880,017
EXPENSES ***[note 12] [schedule 3]***			
General government	**967,825**	**1,149,405**	956,016
Protection to persons and property	**663,031**	**631,773**	597,749
Transportation services	**905,251**	**916,369**	876,085
Environmental services	**3,661,701**	**1,453,450**	1,358,358
Health services	**139,109**	**119,945**	121,186
Social and family services	**202,927**	**191,219**	204,373
Recreation and cultural services	**1,621,768**	**1,496,854**	1,445,056
Planning and development	**413,840**	**464,565**	443,563
	8,575,452	**6,423,580**	6,002,386
Annual surplus (deficit)	**(1,160,849)**	**57,810**	(122,369)
Accumulated surplus, beginning of year	**-**	**28,031,484**	28,153,853
Accumulated surplus (deficit), end of year ***[schedule 1]***	**(1,160,849)**	**28,089,294**	28,031,484

See accompanying notes to the consolidated financial statements.

The Corporation of the Township of Terrace Bay
Consolidated Statement of Change in Net Financial Assets

Year ended December 31	**2017 Budget** $ ***[note 15]***	**2017 Actual** $	2016 Actual $
Annual surplus (deficit)	**(1,160,849)**	**57,810**	(122,369)
Acquisition of tangible capital assets *[note 11]*	**(908,989)**	**(901,001)**	(565,081)
Amortization of tangible capital assets	**1,049,480**	**1,049,480**	1,046,185
Acquisition of prepaid expenses	**-**	**(34,808)**	(24,794)
Use of prepaid expenses	**-**	**28,621**	39,981
Increase in net financial assets	**(1,020,358)**	**200,102**	373,922
Net financial assets, beginning of year	**-**	**2,889,769**	2,515,847
Net financial assets, end of year	**(1,020,358)**	**3,089,871**	2,889,769

See accompanying notes to the consolidated financial statements.

The Corporation of the Township of Terrace Bay
Consolidated Statement of Cash Flows

Year ended December 31	**2017**	2016
	$	$
OPERATIONS		
Annual surplus (deficit)	**57,810**	(122,369)
Non-cash charges		
Amortization of tangible capital assets	**1,049,480**	1,046,185
Increase in landfill closure and post-closure liabilities	**135,196**	64,551
	1,242,486	988,367
Net change in non-cash working capital balances		
Increase in taxes receivable	**(96,741)**	(41,699)
Increase in accounts receivable	**(104,977)**	(42,918)
Increase (decrease) in accounts payable and accrued liabilities	**(101,412)**	53,678
Increase (decrease) in deferred revenue	**1,014,547**	(10,964)
Increase in due to trust fund	**1,325**	150
Increase (decrease) in prepaid expenses	**(6,186)**	15,187
Cash provided by operating transactions	**1,949,042**	961,801
CAPITAL		
Acquisition of tangible capital assets *[note 11]*	**(788,502)**	(259,581)
Cash used in capital transactions	**(788,502)**	(259,581)
FINANCING		
Repayment of long-term debt	**(186,073)**	(183,850)
Repayment of capital financing	**(22,717)**	(22,003)
Cash used in financing transactions	**(208,790)**	(205,853)
Increase in cash and cash equivalents	**951,750**	496,367
Opening cash and cash equivalents	**4,975,913**	4,479,546
Closing cash and cash equivalents	**5,927,663**	4,975,913

See accompanying notes to the consolidated financial statements.

The Corporation of the Township of Terrace Bay
Notes to the Consolidated Financial Statements
December 31, 2017

GENERAL

The Corporation of the Township of Terrace Bay is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements of The Corporation of the Township of Terrace Bay are prepared by management in accordance with accounting policies generally accepted for the local government as prescribed by the Public Sector Accounting Board ("PSAB") of the CICA. The more significant of these accounting policies are as follows:

[a] Basis of consolidation

Reporting entity

These consolidated financial statements reflect the financial assets, liabilities, revenues and expenses, and the accumulated surplus (deficit) of the reporting entity. The reporting entity is comprised of all organizations, local boards, and committees accountable for the administration of their financial affairs and resources, to the Township, and which are owned or controlled by the Township. Accordingly, the following are consolidated in these financial statements:

Terrace Bay Public Library Board
Terrace Bay Police Service Board
Terrace Bay Energy Inc. (inactive)

All interfund balances and transactions have been eliminated.

Government partnerships

Certain organizations in which the Township participates are accounted for on a proportionate consolidation basis, consistent with the treatment for government partnerships. Under the proportionate consolidation basis of accounting, the Township pro-rata share of the assets, liabilities, revenues and expenses that are subject to shared control is combined on a line-by-line basis with similar items in the Township's financial statements. The entity that is accounted for in this manner is:

Thunder Bay Area Emergency Measures Organization

Local boards

The financial activities of certain entities associated with the Township are not consolidated. The Township's contribution to these entities are recorded in the Consolidated Statement of Operations and Accumulated Surplus. The entities that are accounted for in this manner are:

Thunder Bay District Health Unit
The District of Thunder Bay Social Services Administration Board

Trust funds

Certain assets have been conveyed or assigned to the Township to be administered as directed by agreement or statute. The Township holds the assets for the benefit of and stand in fiduciary relationship to the beneficiaries, as a result, the trust funds and assets are excluded from their financial statements.

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.

[b] Basis of accounting

Accrual accounting

The Township uses the accrual basis of accounting which recognizes the effect of transactions and events in the period in which the transaction and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent. It recognizes a liability until the obligation or conditions of the liability is partly or wholly satisfied and recognizes an asset until the future economic benefit underlying the asset is partly or wholly used or lost.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances in banks and short-term investments maturing in 12 months or less, that are highly liquid and are subject to insignificant risk of changes in value.

Pension and employee benefits

The Township accounts for its participation in the Ontario Municipal Employer Retirement System ("OMERS"), a multi-employer defined benefit plan, as a defined contribution plan. Vacation pay, sick leave liability and other post-employment benefits are charged to operations in the year earned.

Non-financial assets

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

[a] Tangible capital assets

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

Buildings	15 to 60 years
Computer	3 to 5 years
Land improvements	20 to 40 years
Library collection	10 years
Linear assets - roads	3 to 50 years
- culverts	60 years
- sewers	50 to 60 years
- water distribution	40 to 60 years
- sidewalks	30 years
- street lighting	25 to 30 years
Machinery, equipment and furniture	8 to 15 years
Vehicles	5 to 20 years

Assets under construction are not amortized until the asset is available for productive use, at which time they are transferred to their respective tangible capital asset categories.

[b] Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

[c] Tangible capital assets recognized at nominal value

Certain assets have been assigned a nominal value of one dollar, because of the difficulty of determining a tenable valuation. The most significant of such assets are the Township's road allowances.

[d] Capitalization of interest

The Township has a policy of capitalizing borrowing costs incurred when financing the acquisition of a tangible capital asset, for those interest costs incurred up to the date the asset goes into use, per PS 3150.17.

[e] Leases

Leases which transfer substantially all of the benefits and risks incidental to ownership of the property to the Township are accounted for as the acquisition of a capital asset and the incurrence on an obligation.

Reserves and reserve funds

Council segregates its accumulated surplus into various categories including reserves which are specifically for future operating and capital purposes.

Revenue recognition

User charges and fees are recognized as revenue in the period in which the related services are performed. Amounts collected for which the related services have yet to be performed are recognized as a liability and recognized as revenue when the related services are performed.

Interest is recognized as it is earned. Investment income earned on surplus funds are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the deferred revenue balance.

Funds received, other than government transfers and tax revenue, for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general purposes are accounted for as deferred revenue on the Consolidated Statement of Financial Position. The revenue is recognized in the Consolidated Statement of Operations and Accumulated Surplus in the year in which it is used for the specified purpose.

Government transfers

Government transfers are transfers of monetary assets or tangible capital assets from a government to an individual, an organization or another government that are not the result of an exchange transaction, expected to be repaid in the future or expected to produce a direct financial return. Government transfers received are recognized in the financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

Government transfers made to a recipient by the Township are recorded as an expense when they are authorized and the recipient meets all eligibility criteria.

The Township receives development charges under the authority of provincial legislation and Township by-laws (obligatory reserve funds) as well as Gas Tax proceeds from the Federal Government through the Association of Municipalities of Ontario. These funds, by their nature, are restricted in their use and, until applied to specific expenses, are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period they are expended.

Taxation revenue

Taxes are recognized as assets and revenue when they meet the definition of an asset, are authorized and the taxable event occurs, which for property taxes is the period for which the tax is levied.

At each financial statement date, management evaluates the extent to which its tax receivables are ultimately collectible and valuation allowances are used to reflect tax receivables at their net recoverable amount.

At each financial statement date, management evaluates the likelihood of having to repay taxes collected under tax measures that have been deemed authorized using the concept of legislative convention and recognizes a liability when required. Related refunds are accounted for in the period in which the change in estimate occurs.

Landfill closure and post-closure liability

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

Use of estimates

The preparation of 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Township may undertake in the future. Significant accounting estimates include valuation allowance for taxes receivable, estimated useful lives of tangible capital assets, employee benefits payable and solid waste landfill closure and post-closure liabilities. Actual results could differ from these estimates.

2. TRUST FUNDS

Trust funds administered by the Township amounting to $68,972 [2016 - $67,110] have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus.

The Corporation of the Township of Terrace Bay
Notes to the Consolidated Financial Statements
December 31, 2017

3. CASH AND CASH EQUIVALENTS

	2017 $	2016 $
Cash on hand	**1,145**	1,145
Savings account	**3,328,620**	2,366,103
Short-term investments	**2,597,898**	2,608,665
	5,927,663	4,975,913

4. TAXES RECEIVABLE

	2017 $	2016 $
Property and business taxes receivable	**743,132**	645,909
Allowance for property and business tax arrears	**(202,465)**	(201,982)
	540,667	443,927

5. DEFERRED REVENUE

Deferred revenue set aside for specific purposes by legislation, regulation or agreement as at December 31, 2017, was comprised of the following:

	2017 $	2016 $
Obligatory reserve funds		
Federal Gas Tax	**199,039**	184,349
Other deferred revenue		
Ontario Community Infrastructure Fund	**992,919**	-
Ontario Sports Community Recreation Fund	**1,825**	-
Bell Tower Lease	**13,000**	13,000
Provincial Senior's Grant	**10,977**	14,926
Other	**4,000**	372
Library - Digital Grant	**5,434**	-
	1,227,194	212,647

The continuity of deferred revenue is as follows:

	2017			2016
	Government Transfers	**Other**	**Total**	Total
	$	$	$	$
Balance, beginning of year	**199,275**	**13,372**	**212,647**	223,611
Federal Gas Tax, net change	**14,690**	**-**	**14,690**	(3,650)
Ministry of Public Infrastructure Renewal - Municipal Infrastructure Investment Initiative	**-**	**-**	**-**	(15,076)
Ministry of Transportation - Municipal Road and Bridge Infrastructure Investment	**-**	**-**	**-**	(4,424)
Lake Superior Conservancy	**-**	**-**	**-**	(3,112)
Ontario Community Infrastructure Fund	**992,919**	**-**	**992,919**	-
Provincial Senior's Grant	**(3,949)**	**-**	**(3,949)**	14,926
Other grant revenue deferred	**5,434**	**3,628**	**9,062**	372
Ontario Sports Community Recreation Fund	**1,825**	**-**	**1,825**	-
Balance, end of year	**1,210,194**	**17,000**	**1,227,194**	212,647

6. LIABILITY FOR EMPLOYEE VESTED SICK LEAVE BENEFITS

Under the sick leave benefit plan, unused sick leave can accumulate and certain employees may become entitled to a cash payment when they retire or leave the Township's employment.

The liability for these accumulated days, to the extent that they have vested and could be taken by an employee on retirement, voluntary termination of employment, or his/her estate upon death amounted to approximately $nil [2016 - $nil]. Payments made to employees who left the Township's employment during the current year amounted to $nil. An amount of $1,090 [2016 - $1,080] has been provided for this past service liability as a reserve fund.

7. PENSION AGREEMENTS

The Township makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of certain 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. The amount contributed to OMERS for 2017 was $101,447 [2016 - $99,536] for current service.

The Corporation of the Township of Terrace Bay
Notes to the Consolidated Financial Statements
December 31, 2017

8. LONG-TERM DEBT

[a] The balance of debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2017 $	2016 $
CIBC		
Repaid during the year.	**-**	41,890
Term loan repayable in quarterly instalments of $37,500, including interest of 3.20% maturing January 15, 2020.	**112,500**	-
Term loan repayable in annual instalments of $61,100, including interest of 3.20% maturing January 30, 2021.	**183,300**	244,400
Ontario Infrastructure Projects Corporation (OIPC)		
Debenture repayable in semi-annual instalments of $58,696, including interest of 2.73%, maturing July 16, 2029.	**1,194,354**	1,277,436
	1,490,154	1,563,726

[b] Principal payments due within the next five years, assuming renewal at the current terms, are as follows:

	$
2018	258,966
2019	148,812
2020	151,223
2021	92,600
2022	95,145
Thereafter	743,408
	1,490,154

[c] The long-term liabilities in [a] issued in the name of the Township received after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ontario Ministry of Municipal Affairs and Housing.

[d] Total interest charges for debt reported on the Consolidated Statement of Operations and Accumulated Surplus are $40,655 [2016 - $40,451].

9. OBLIGATION UNDER CAPITAL LEASE

In December, 2015, the Municipality entered into a 4-year lease agreement for fireman equipment with National Leasing.

The future minimum annual lease payments of the capital lease expiring between 2018 and 2019, together with the balance of the obligation, are as follows:

	$
2018	23,456
2019	24,216
Total minimum lease payments	47,672
Less current portion	23,456
	24,216

10. LANDFILL CLOSURE AND POST-CLOSURE

The main components of the landfill closure plan includes final capping using selected specific layers of impermeable materials based on an engineering cap design and implementation of a drainage management plan. The post-closure requirements will involve cap maintenance, groundwater monitoring, gas management system, operation and maintenance, and annual inspections and reports in accordance with Ministry of the Environment regulations.

The Township completed an updated engineering study during the year to assist in the computation of the required closure and post-closure liability. The remaining useful life of the site has been determined to be 37 years and capacity remaining is 122,000 cubic metres, with an anticipated closure date of 2054. The estimated liability is the present value for future cash flows associated with the closure and post-closure care, discounted using a rate of 2.5% [2016 - 1.4%] for closure costs and 3.6% [2016 - 3.2%] for post-closure cost discounting. The estimated total expenses for closure have been estimated at $1,095,340 and post-closure care has been determined to be $15,960 annually for 30 years of post-closure care. Management's estimated accrued liability for these costs of $551,101 [2016 - 415,905] is included as a liability on the Consolidated Statement of Financial Position, leaving an amount to be recognized in the future of $2,907,290 [2016 - $1,996,640]. The increase in landfill liability of $135,196 has been recorded as a debit to the environmental services expenses – materials. The liability is expected to be funded through budget allocations to a landfill reserve over the remaining life of the landfill.

A reserve fund has been established to mitigate the future impact of the closure and post-closure liability which has a balance of $289,595 [2016 - $276,778] including accrued interest [Schedule 1].

11. TANGIBLE CAPITAL ASSETS

Schedule 2 provides information on the tangible capital assets of the Township by major asset class, as well as accumulated amortization of the assets controlled.

During the year, there were no write-downs of assets [2016 - $nil].

Interest capitalized during 2017 was $nil [2016 - $nil].

There were no contributed tangible capital assets in 2017 [2016 - $nil].

There were various capital assets acquired at an aggregate cost of $901,001 [2016 - $565,081], of which $112,500 [2016 - $350,500] were acquired by way of long-term debt, and $788,502 {2016 - $259,581] were acquired with cash.

12. SEGMENTED INFORMATION

The Township is a diversified municipal government institution that provides a wide range of services to its citizens, including police, fire, ambulance and water. For management reporting purposes the Township's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Municipal services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

General government
General government services are comprised of various administrative services, including the finance department, corporate services department, and Mayor and Council.

Protection to persons and property
Protection to persons and property is comprised of police services, fire services and protective inspection and control. The police services are contracted from the Ontario Provincial Police. The fire services department is responsible for fire suppression, fire prevention programs, training and education related to prevention, detection or extinguishment of fires. Protective inspection and control ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-laws for the protection of occupants.

Transportation services
Transportation services include roadways, winter control, parking and street lighting. Roadways covers the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, culverts and sidewalks. Winter control includes snowplowing, sanding and salting, snow removal and flood control. Street lighting plans, develops and maintains the street lighting system.

Environmental services
Environmental services consist of waterworks, sanitary sewer, waste collection and disposal and recycling. Waterworks provides drinking water to the citizens of Terrace Bay. Sanitary sewer collects and treats wastewater. Waste collection and disposal and recycling includes the collection of solid waste, landfill site operations and waste minimization programs.

Health services
Health services includes public health services, hospital and ambulance services. Public health services covers the Township of Terrace Bay's contribution to the activities of the Thunder Bay District Health Unit. In response to the health needs of the community, the Thunder Bay District Health Unit provides health information and prevention-related clinical services to people of all ages, advocates for healthy public policy, protects citizens by investigating reportable diseases and upholds regulations that apply to public health.

Social and family services
Social and family services include general assistance, assistance to aged persons, child care and assistance to the disabled. General assistance represents the Township's contribution to the activities of The District of Thunder Bay Social Services Administration Board ("TBDSSAB"). TBDSSAB is responsible for issuing welfare payments, Ontario Works program delivery, employment assistance services and social housing. Under assistance to aged persons, TBDSSAB is responsible for providing services to seniors.

Recreation and cultural services
Recreation and cultural services include parks, recreation programs and facilities, public library and contributions to cultural organizations. The community services department provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services such as fitness and aquatic programs, the development and maintenance of various recreational facilities and the maintenance of parks and open spaces. The public library is dedicated to providing community access to local and global information resources that support lifelong learning, research and leisure activities. The Township makes contributions to various cultural organizations under specific funding programs.

Planning and development
The planning and development department manages urban development for business interest, environmental concerns, heritage matters and local neighbourhoods through city planning and community development and approval of all land development plans.

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. For additional information see the Consolidated Schedule of Segment Disclosure [Schedule 3].

The Corporation of the Township of Terrace Bay
Notes to the Consolidated Financial Statements
December 31, 2017

13. RESERVES AND RESERVE FUNDS

The continuity of reserves and reserve funds which make up a part of accumulated surplus in Schedule 1 is as follows:

	2017 $	2016 $
Reserves		
Balance, beginning of year	**210,000**	210,000
Balance, end of year	**210,000**	210,000
Reserve funds		
Balance, beginning of year	**4,727,566**	4,216,779
Increases		
Transfers from operations	**385,662**	488,168
Interest earned	**45,472**	47,919
	431,134	536,087
Decreases		
Transfers to operations	**185,915**	25,300
Balance, end of year	**4,972,785**	4,727,566

Subsequent to the year-end, the general fund surplus has been decreased by an amount of **$**280,376 transferred to the reserve for acquisition of capital assets as authorized by resolution on May 22, 2018. Had the reduction not been made, the balance of the general fund surplus would have been 280,376.

14. DESIGNATED ASSETS

Of the financial assets reported on the Consolidated Statement of Financial Position, the Council has designated $4,972,785 [2016 - $4,727,566] to support reserve funds.

The Corporation of the Township of Terrace Bay
Notes to the Consolidated Financial Statements
December 31, 2017

15. BUDGET FIGURES

Public Sector Accounting Standards require a comparison of the results for the period with those originally planned on the same basis as that used for actual results. The fiscal plan in the Consolidated Statement of Operations and Accumulated Surplus has been adjusted to be presented on a consistent basis as actual results. Below is a reconciliation of the figures from the approved fiscal plan to the fiscal plan per the financial statements:

	Approved Fiscal Plan	Adjustments	Fiscal Plan per Financial Statements
	$	$	$
Revenues			
Taxation	**3,193,954**	**-**	**3,193,954**
User Charges	**1,235,252**	**-**	**1,235,252**
Government transfers	**2,880,267**	**-**	**2,880,267**
Other	**1,646,008**	**(1,540,878)**	**105,130**
	8,955,481	**(1,540,878)**	**7,414,603**
Expenses			
General government	**965,310**	**2,515**	**967,825**
Protection to persons and property	**660,080**	**2,951**	**663,031**
Transportation services	**1,127,094**	**(221,843)**	**905,251**
Environmental services	**3,686,796**	**(25,095)**	**3,661,701**
Health services	**139,109**	**-**	**139,109**
Social and family services	**202,927**	**-**	**202,927**
Recreation and cultural services	**1,834,825**	**(213,057)**	**1,621,768**
Planning and development	**339,340**	**74,500**	**413,840**
	8,955,481	**(380,029)**	**8,575,452**
Annual surplus (deficit)	**-**	**(1,160,849)**	**(1,160,849)**
Interfund transfers	**(1,243,932)**		
Capital items	**908,989**		
Debt repayments	**83,082**		
Approved deficit	**(251,861)**		

16. CONTRACTUAL OBLIGATIONS

The Township has entered into an agreement for operation and maintenance services for water and wastewater facilities which expires December 31, 2019. The required contractual payments in the next fiscal year total $192,982 plus an adjustment for inflation.

17. TEMPORARY LOANS

The Township has available a line of credit of $800,000 [2016 - $800,000] for which the Township has provided a general security agreement of which $nil [2016 - $nil] was borrowed at year-end. Interest on the line of credit is calculated at bank prime rate at year-end.

18. CONTINGENCIES

There are outstanding claims and litigation pending against the Township for which the amount of settlement, if any, is not determinable and will be charged to expenses when determined.

19. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2017 consolidated financial statements.

The Corporation of the Township of Terrace Bay
Schedule 1
Consolidated Schedule of Accumulated Surplus

Year ended December 31	**2017**	2016
	$	$
Surplus (deficit)		
Library	**26,994**	27,017
Invested in tangible capital assets	**24,968,442**	25,116,921
Unfunded		
Long-term liabilities	**(1,537,826)**	(1,634,115)
Landfill closure and post-closure liability	**(551,101)**	(415,905)
Total surplus	**22,906,509**	23,093,918
Reserves set aside for specific purposes by Council		
For working capital	**210,000**	210,000
Total reserves	**210,000**	210,000
Reserve funds set aside for specific purposes by Council		
For acquisition of capital assets	**4,971,695**	4,726,486
For sick leave liability	**1,090**	1,080
Total reserve funds	**4,972,785**	4,727,566
Accumulated surplus	**28,089,294**	28,031,484

The Corporation of the Township of Terrace Bay
Consolidated Schedule of Tangible Capital Assets
Year ended December 31, 2017

Schedule 2

	General							Infrastructure		Totals	
	Land	Land Improvements	Buildings	Vehicles	Computer	Machinery, Equipment and Furniture	Library Collections	Linear Assets	Assets under Construction	2017	2016
	$	$	$	$	$	$	$	$	$	$	$
COST											
Balance, beginning of year	**4,967,465**	**969,852**	**16,251,229**	**2,827,928**	**168,176**	**3,626,455**	**484,335**	**14,390,202**	**44,821**	**43,730,463**	43,271,182
Add											
Additions during the year	**-**	**70,403**	**39,119**	**152,131**	**692**	**203,665**	**18,275**	**74,003**	**342,714**	**901,002**	565,081
Transfers In	**-**	**-**	**216,491**	**-**	**-**	**-**	**-**	**-**	**-**	**216,491**	-
Less											
Disposals in the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	105,800
Transfers Out	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**216,491**	**216,491**	-
Balance, end of year	**4,967,465**	**1,040,255**	**16,506,839**	**2,980,059**	**168,868**	**3,830,120**	**502,610**	**14,464,205**	**171,044**	**44,631,465**	43,730,463
ACCUMULATED AMORTIZATION											
Balance, beginning of year	**-**	**842,848**	**6,049,683**	**1,814,644**	**132,933**	**2,179,197**	**412,835**	**7,181,402**	**-**	**18,613,542**	17,673,157
Add											
Amortization during the year	**-**	**10,934**	**510,903**	**114,254**	**12,191**	**141,549**	**13,697**	**245,952**	**-**	**1,049,480**	1,046,185
Less											
Disposals in the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	105,800
Balance, end of year	**-**	**853,782**	**6,560,586**	**1,928,898**	**145,124**	**2,320,746**	**426,532**	**7,427,354**	**-**	**19,663,022**	18,613,542
Net book value, beginning of year	**4,967,465**	**127,004**	**10,201,546**	**1,013,284**	**35,243**	**1,447,258**	**71,500**	**7,208,800**	**44,821**	**25,116,921**	25,598,025
Net book value, end of year	**4,967,465**	**186,473**	**9,946,253**	**1,051,161**	**23,744**	**1,509,374**	**76,078**	**7,036,851**	**171,044**	**24,968,443**	25,116,921

DRAFT FOR DISCUSSION

The Corporation of the Township of Terrace Bay
Consolidated Schedule of Segment Disclosure

Schedule 3

Year ended December 31, 2017

	General Government		Protection to Persons and Property		Transportation Services		Environmental Services		Health Services	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$	$	$	$	$	$	$	$	$	$
Revenues										
Taxation	**3,410,826**	3,181,614	**-**	-	**-**	-	**-**	-	**-**	-
Government transfers	**1,075,275**	983,915	**41,403**	4,657	**4,559**	-	**168,419**	140,657	**-**	-
User fees and service charges	**162,168**	162,907	**30,402**	49,995	**11,740**	-	**860,724**	823,554	**1,726**	3,713
Other municipalities	**-**	-	**-**	-	**-**	-	**49,088**	55,142	**-**	-
Other revenues	**76,697**	100,535	**-**	-	**-**	-	**-**	-	**-**	-
Interest income - general	**87,021**	29,572	**-**	-	**-**	-	**15,073**	-	**-**	-
Interest income - reserves and reserve funds	**69,154**	49,935	**-**	-	**-**	-	**-**	-	**-**	-
	4,881,141	4,508,478	**71,805**	54,652	**16,299**	-	**1,093,304**	1,019,353	**1,726**	3,713
Expenses										
Salaries, wages and employee benefits	**533,988**	506,237	**96,098**	96,988	**352,572**	362,805	**190,292**	214,991	**5,005**	2,929
Long-term debt charges	**-**	-	**-**	-	**-**	-	**33,279**	35,522	**-**	-
Materials	**167,722**	295,307	**145,878**	102,195	**500,749**	283,355	**262,707**	207,546	**3,846**	8,922
Contracted services	**165,044**	129,306	**344,740**	347,496	**3,611**	15,673	**404,111**	460,628	**78,121**	76,047
Rent	**30,308**	14,895	**-**	-	**-**	-	**-**	-	**-**	-
Other	**226,310**	-	**-**	-	**-**	-	**-**	-	**32,974**	33,288
Amortization	**7,516**	10,271	**46,964**	51,070	**221,354**	214,252	**427,865**	439,671	**-**	-
	1,130,888	956,016	**633,680**	597,749	**1,078,286**	876,085	**1,318,254**	1,358,358	**119,946**	121,186
Annual surplus (deficit)	**3,750,253**	3,552,462	**(561,875)**	(543,097)	**(1,061,987)**	(876,085)	**(224,950)**	(339,005)	**(118,220)**	(117,473)

The Corporation of the Township of Terrace Bay

Schedule 3 (continued)

Consolidated Schedule of Segment Disclosure

Year ended December 31, 2017

	Social and Family Services		Recreation and Cultural Services		Planning and Development		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$	$	$	$	$	$	$	$
Revenues								
Taxation	**-**	-	**-**	-	-	-	**3,410,826**	3,181,614
Government transfers	**57,700**	57,918	**157,045**	33,301	**-**	-	**1,504,401**	1,220,448
User fees and service charges	**11,850**	10,298	**164,843**	126,932	**25,677**	65,372	**1,269,130**	1,242,771
Other municipalities	**-**	-	**-**	-	**-**	-	**49,088**	55,142
Other revenues	**-**	-	**-**	-	**-**	-	**76,697**	100,535
Interest income - general	**-**	-	**-**	-	**-**	-	**102,094**	29,572
Interest income - reserves and reserve funds	**-**	-	**-**	-	**-**	-	**69,154**	49,935
	69,550	68,216	**321,888**	160,233	**25,677**	65,372	**6,481,390**	5,880,017
Expenses								
Salaries, wages and employee benefits	**-**	-	**653,004**	658,207	**195,873**	162,629	**2,026,832**	2,004,786
Long-term debt charges	**-**	-	**-**	-	**-**	-	**33,279**	35,522
Materials	**24,757**	32,325	**635,688**	608,819	**65,894**	116,563	**1,807,241**	1,655,032
Contracted services	**145,527**	150,916	**7,124**	-	**13,245**	11,480	**1,161,523**	1,191,546
Rent	**-**	-	**-**	-	**-**	-	**30,308**	14,895
Other	**20,935**	21,132	**-**	-	**34,697**	-	**314,916**	54,420
Amortization	**-**	-	**192,891**	178,030	**152,891**	152,891	**1,049,481**	1,046,185
	191,219	204,373	**1,488,707**	1,445,056	**462,600**	443,563	**6,423,580**	6,002,386
Annual surplus (deficit)	**(121,669)**	(136,157)	**(1,166,819)**	(1,284,823)	**(436,923)**	(378,191)	**57,810**	(122,369)

Independent Auditor's Report

Grant Thornton LLP
979 Alloy Drive
Thunder Bay, ON
P7B5Z8

T (807) 345-6571
F (807) 345-0032
www.GrantThornton.ca

To the Board Members, Members of Council, Inhabitants and Ratepayers of
Terrace Bay Public Library Board

We have audited the accompanying financial statements of the Terrace Bay Public Library Board, which comprise the statement of financial position as at December 31, 2017 and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Audit • Tax • Advisory
Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd

Grant Thornton

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Terrace Bay Public Library Board as at December 31, 2017, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Thunder Bay, Canada
May 22, 2018

Chartered Professional Accountants
Licensed Public Accountants

Terrace Bay Public Library Board
Statement of Financial Position

As at December 31	**2017**	2016
	$	$
FINANCIAL ASSETS		
Cash	**50**	50
Accounts receivable - The Corporation of the Township of Terrace Bay	**32,378**	26,967
Total financial assets	**32,428**	27,017
FINANCIAL LIABILITIES		
Deferred revenue	**5,434**	-
NET FINANCIAL ASSETS	**26,994**	27,017
NON-FINANCIAL ASSETS		
Tangible capital assets, net *[note 5]*	**88,939**	87,527
Accumulated surplus *[schedule 1]*	**115,933**	114,544

See accompanying notes to the financial statements.

Terrace Bay Public Library Board
Statement of Operations and Accumulated Surplus

Year ended December 31	**2017 Budget** $ *[note 3]*	**2017 Actual** $	2016 Actual $
REVENUES			
Municipal contribution	**185,339**	**185,339**	187,800
Province of Ontario grants			
Library services	**5,499**	**5,499**	5,499
Other	**6,514**	**5,692**	6,601
Fines	**500**	**565**	305
Miscellaneous	**4,000**	**3,206**	4,452
Total revenues	**201,852**	**200,301**	204,657
EXPENSES			
Administrative and general	**8,800**	**6,301**	6,912
Amortization	**17,555**	**17,555**	15,901
Fringe benefits	**29,109**	**24,038**	25,181
Furniture, equipment and maintenance	**4,870**	**4,103**	3,859
Insurance	**1,520**	**1,520**	1,560
Office supplies	**2,500**	**2,186**	1,681
Rent	**30,308**	**30,308**	27,571
Salaries	**125,245**	**112,901**	107,030
Total expenses	**219,907**	**198,912**	189,695
NET REVENUES (EXPENSES)	**(18,055)**	**1,389**	14,962
Annual surplus (deficit)	**(18,055)**	**1,389**	14,962
Accumulated surplus, beginning of year	**114,544**	**114,544**	99,582
Accumulated surplus, end of year	**96,489**	**115,933**	114,544

See accompanying notes to the financial statements.

Terrace Bay Public Library Board
Statement of Change in Net Financial Assets

Year ended December 31	**2017 Budget** $ *[note 3]*	**2017 Actual** $	2016 Actual $
Annual surplus (deficit)	**(18,055)**	**1,389**	14,962
Acquisition of tangible capital assets	**(19,500)**	**(18,967)**	(18,717)
Amortization of tangible capital assets	**17,555**	**17,555**	15,901
Increase (decrease) in net financial assets	**(20,000)**	**(23)**	12,146
Net financial assets, beginning of year	**27,017**	**27,017**	14,871
Net financial assets, end of year	**7,017**	**26,994**	27,017

See accompanying notes to the financial statements.

Terrace Bay Public Library Board
Statement of Cash Flows

Year ended December 31	**2017**	2016
	$	$
OPERATIONS		
Annual surplus	**1,389**	14,962
Non-cash charges		
Amortization of tangible capital assets	**17,555**	15,901
	18,944	30,863
Net change in non-cash working capital balances		
Increase in accounts receivable	**(5,411)**	(7,722)
Increase (decrease) in deferred revenue	**5,434**	(4,424)
Cash provided by operating transactions	**18,967**	18,717
CAPITAL		
Acquisition of tangible capital assets	**(18,967)**	(18,717)
Cash used in capital transactions	**(18,967)**	(18,717)
Increase in cash during year	**-**	-
Cash, beginning of year	**50**	50
Cash, end of year	**50**	50

See accompanying notes to the financial statements.

Terrace Bay Public Library Board
Notes to the Financial Statements
December 31, 2017

1. NATURE OF BUSINESS

The Terrace Bay Public Library Board ("Library Board") provides access to books and other sources of information to the citizens of the Township of Terrace Bay.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements of the Terrace Bay Public Library Board are prepared by management in accordance with accounting policies generally accepted for the local government sector as prescribed by the Public Sector Accounting Board ("PSAB") of the CICA. The more significant of these accounting policies are as follows:

Accrual accounting

Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable.

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. Tangible capital assets received as contributions are recorded at their fair value at the date of receipt. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer hardware	3 to 5 years
Furniture and equipment	8 to 15 years
Library collection	10 years

Contributions of tangible capital assets

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

Cash

Cash consists of cash on deposit and cash on hand.

Reporting entity

The financial statements reflect the financial assets, liabilities, revenues, expenses and accumulated surplus of the Library Board.

Terrace Bay Public Library Board
Notes to the Financial Statements
December 31, 2017

Revenue recognition

Government grants are recognized when approved to the extent the related expenses have been incurred and collection can be reasonably assured.

User fees and other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

Deferred revenue

Deferred revenue is comprised of donations subject to externally imposed restrictions with respect to its use and the unspent portion of conditional grants.

Use of estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Library Board may undertake in the future. Significant accounting estimates include allowance for doubtful accounts. Actual results could differ from those estimates.

Terrace Bay Public Library Board
Notes to the Financial Statements
December 31, 2017

3. BUDGET FIGURES

Public Sector Accounting Standards require a comparison of the results for the period with those originally planned on the same basis as that used for actual results. The fiscal plan in the Consolidated Statement of Operations and Accumulated Surplus has been adjusted to be presented on a consistent basis as actual results. Below is a reconciliation of the figures from the approved fiscal plan to the fiscal plan per the financial statements.

	Approved Fiscal Plan	Adjustments	Fiscal Plan per Financial Statements
	$	$	$
Revenues			
Municipal contribution	**185,339**	**-**	**185,339**
Province of Ontario grants - Library Services	**5,499**	**-**	**5,499**
Province of Ontario grants - other	**6,514**	**-**	**6,514**
Fines	**500**	**-**	**500**
Miscellaneous	**24,000**	**(20,000)**	**4,000**
	221,852	**(20,000)**	**201,852**
Expenses			
Administrative and general	**8,800**	**-**	**8,800**
Amortization	**-**	**17,555**	**17,555**
Fringe benefits	**29,109**	**-**	**29,109**
Furniture, equipment and maintenance	**4,870**	**-**	**4,870**
Insurance	**1,520**	**-**	**1,520**
Library books, films and videos	**17,500**	**(17,500)**	**-**
Library periodicals	**2,000**	**(2,000)**	**-**
Office supplies	**2,500**	**-**	**2,500**
Rent	**30,308**	**-**	**30,308**
Salaries	**125,245**	**-**	**125,245**
	221,852	**(1,945)**	**219,907**
Annual surplus (deficit)	**-**	**(18,055)**	**(18,055)**
Contributions from reserves	**(20,000)**	**(20,000)**	
Capital items	**19,500**	**19,500**	
Amortization	**-**	**(17,555)**	
Approved surplus (deficit)	**(500)**	**(18,055)**	

Terrace Bay Public Library Board
Notes to the Financial Statements
December 31, 2017

4. ANALYSIS OF RESERVE FUND

	2017 $	2016 $
Balance, beginning of year	**58,564**	48,033
Change in reserve fund	**(27)**	10,531
Balance, end of year	**58,537**	58,564

The reserve fund is held by The Corporation of the Township of Terrace Bay.

5. TANGIBLE CAPITAL ASSETS

Details of year-end tangible capital asset balances are as follows:

	Library collection $	**Computer hardware** $	**Furniture and equipment** $	**Total 2017** $	Total 2016 $
Cost					
Balance, beginning of year	**484,335**	**33,791**	**87,416**	**605,542**	586,825
Add: Additions during the year	**18,275**	**692**	**-**	**18,967**	18,717
Balance, end of year	**502,610**	**34,483**	**87,416**	**624,509**	605,542
Accumulated amortization					
Balance, beginning of year	**411,584**	**27,540**	**78,891**	**518,015**	502,114
Add: Amortization during the year	**13,697**	**2,229**	**1,629**	**17,555**	15,901
Balance, end of year	**425,281**	**29,769**	**80,520**	**535,570**	518,015
Net book value of tangible capital assets, beginning of year	**72,751**	**6,251**	**8,525**	**87,527**	84,711
Net book value of tangible capital assets, end of year	**77,329**	**4,714**	**6,896**	**88,939**	87,527

6. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2017 financial statements.

Terrace Bay Public Library Board — Schedule 1
Accumulated Surplus

Year ended December 31	**2017**	2016
	$	$
Surplus		
General fund	**26,994**	27,017
Investment in tangible capital assets	**88,939**	87,527
Accumulated surplus	**115,933**	114,544

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
979 Alloy Drive
Thunder Bay, ON
P7B5Z8

T (807) 345-6571
F (807) 345-0032
www.GrantThornton.ca

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Township of Terrace Bay

We have audited the accompanying financial statements of the Trust Funds of The Corporation of the Township of Terrace Bay, which comprise the statement of financial position as at December 31, 2017 and the statements of operations and accumulated surplus, and cash flows for the year then ended, and a summary of significant accounting policies.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Audit • Tax • Advisory
Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd

Grant Thornton

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trust Funds as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Thunder Bay, Canada
May 22, 2018

Chartered Professional Accountants
Licensed Public Accountants

The Corporation of the Township of Terrace Bay
Trust Funds
Statement of Financial Position

As at December 31

	Cemetery Perpetual Care Trust Fund	Sage Trust Fund	2017 Total	2016 Total
	$	$	$	$
FINANCIAL ASSETS				
Cash and cash equivalents	**65,559**	**189**	**65,748**	65,210
Due from operating fund	**3,225**	**-**	**3,225**	1,900
Total financial assets	**68,784**	**189**	**68,973**	67,110
FUND BALANCES				
Capital	**46,353**	**189**	**46,542**	45,237
Income	**22,431**	**-**	**22,431**	21,873
Total fund balances	**68,784**	**189**	**68,973**	67,110

See accompanying note to the financial statements.

The Corporation of the Township of Terrace Bay
Trust Funds
Statement of Operations and Accumulated Surplus

Year ended December 31

	Cemetery Perpetual Care Trust Fund	Sage Trust Fund	2017 Total	2016 Total
	$	$	$	$
REVENUES				
Capital receipts				
Plot sales	**1,325**	**-**	**1,325**	150
Interest earned	**558**	**-**	**558**	454
	1,883	**-**	**1,883**	604
EXPENSES				
Service charges	**-**	**20**	**20**	-
Annual surplus (deficit)	**1,883**	**(20)**	**1,863**	604
Accumulated surplus, beginning of year	**66,901**	**209**	**67,110**	66,506
Accumulated surplus, end of year	**68,784**	**189**	**68,973**	67,110

See accompanying note to the financial statements.

The Corporation of the Township of Terrace Bay
Trust Funds
Statement of Cash Flows

Year ended December 31	**2017**	2016
	$	$
OPERATIONS		
Annual surplus	**1,863**	604
Net changes in non-cash working capital balances		
Increase in due from operating fund	**(1,325)**	(150)
Cash provided by operating activity	**538**	454
Increase in cash and cash equivalents during year	**538**	454
Cash and cash equivalents, beginning of year	**65,210**	64,756
Cash and cash equivalents, end of year	**65,748**	65,210

See accompanying note to the financial statements.

The Corporation of the Township of Terrace Bay
Trust Funds
Note to the Financial Statements
December 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

Interest earned in these funds are recorded on the accrual basis.

[a] Capital receipts and income are reported on the accrual basis of accounting, which recognizes revenue as they become available and measureable.

[b] Expenditures are reported on the accrual basis of accounting which recognizes expenditures 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.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and term deposits in money market instruments with maturity dates of less than three months from the date they are acquired. They are recorded at the lower of cost or market value.

Consolidated Financial Statements

The Corporation of the Township of Terrace Bay

December 31, 2018

The Corporation of the Township of Terrace Bay
P.O. Box 40, 1 Selkirk Avenue, Terrace Bay, ON, P0T 2W0
Phone: (807) 825-3315 **Fax:** (807) 825-9576

Statement of Administrative Responsibility

The management of The Corporation of the Township of Terrace Bay have prepared the accompanying financial statements and are responsible for their accuracy and integrity. These statements consolidate all operations for which the Township has legislative and financial responsibility. The financial statements have been prepared by management in accordance with the accounting principles generally accepted for the public sector as prescribed by the Public Sector Accounting Board [PSAB] of the CPA Canada.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the administration has developed and maintains a system of internal control designed to provide reasonable assurance that Municipal assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the financial statements.

The Municipal Council reviews and approves the financial statements before such statements are submitted to the Ministry of Municipal Affairs and Housing and published for the residents of The Corporation of the Township of Terrace Bay. The external auditors have access to, and meet with Municipal Council to discuss their audit and the results of their examination.

The 2018 Financial Statements have been reported on by The Corporation of the Township of Terrace Bay's external auditors, Grant Thornton LLP, the auditors appointed by Municipal Council. The independent auditor's report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

Jon Hall, CAO/Clerk

George Davis, Mayor

Contents

	Page
Independent Auditor's Report	1 - 2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations and Accumulated Surplus	4
Consolidated Statement of Change in Net Financial Assets	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7 - 20
Schedule 1 - Consolidated Schedule of Accumulated Surplus	21
Schedule 2 - Consolidated Schedule of Tangible Capital Assets	22
Schedule 3 - Consolidated Schedule of Segment Disclosure	23 - 24
Consolidated Local Boards	
Terrace Bay Public Library Board	
Independent Auditor's Report	25 - 26
Statement of Financial Position	27
Statement of Operations and Accumulated Surplus	28
Statement of Change in Net Financial Assets	29
Statement of Cash Flows	30
Notes to the Financial Statements	31 - 34
Schedule 1 - Accumulated Surplus	35
Trust Funds	
Independent Auditor's Report	36 - 37
Statement of Financial Position	38
Statement of Operations and Accumulated Surplus	39
Statement of Cash Flows	40
Note to the Financial Statements	41

Grant Thornton LLP
Suite 300
979 Alloy Drive
Thunder Bay, ON
P7B 5Z8

T +1 807 345 6571
F +1 807 345 0032

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Township of Terrace Bay

Opinion

We have audited the consolidated financial statements of The Corporation of the Township of Terrace Bay ("the Township"), which comprise the consolidated statement of financial position as at December 31, 2018 and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of the Township of Terrace Bay as at December 31, 2018, and its results of operations 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 consolidated financial statements* section of our report. We are independent of the Township in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Responsibilities of Management and Council for the Financial Statements

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

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

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

©Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd. All rights reserved.

Auditor's Responsibilities for the Audit of the 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 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 Township'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 Township'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 Township 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.

Grant Thornton LLP

Thunder Bay, Canada
July 8, 2019

Chartered Professional Accountants
Licensed Public Accountants

The Corporation of the Township of Terrace Bay
Consolidated Statement of Financial Position

As at December 31	**2018**	2017
	$	$
FINANCIAL ASSETS		
Cash and cash equivalents *[note 3]*	**3,891,361**	5,927,663
Taxes receivable *[note 4]*	**478,032**	540,667
Accounts receivable	**906,688**	389,258
Total financial assets	**5,276,081**	6,857,588
LIABILITIES		
Accounts payable and accrued liabilities	**721,655**	448,371
Deferred revenue *[note 5]*	**273,383**	1,227,194
Long-term debt *[note 8]*	**1,306,189**	1,490,154
Landfill closure and post-closure liability *[note 10]*	**355,438**	551,101
Due to trust fund *[note 2]*	**-**	3,225
Obligation under capital lease *[note 9]*	**24,216**	47,672
Total liabilities	**2,680,881**	3,767,717
NET FINANCIAL ASSETS	**2,595,200**	3,089,871
NON-FINANCIAL ASSETS		
Tangible capital assets - net *[note 11] [schedule 2]*	**27,551,342**	24,968,443
Prepaid expenses	**41,824**	30,980
	27,593,166	24,999,423
Accumulated surplus *[schedule 1]*	**30,188,366**	28,089,294

See accompanying notes to the consolidated financial statements.

The Corporation of the Township of Terrace Bay
Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31	2018 Budget $ *[note 15]*	2018 Actual $	2017 Actual $
REVENUES *[schedule 3]*			
Taxation			
Residential and farm taxation	**1,650,142**	**1,650,168**	1,611,012
Commercial and industrial	**1,523,867**	**1,527,687**	1,516,492
Taxation from other governments	**109,067**	**117,340**	283,322
	3,283,076	**3,295,195**	3,410,826
User charges			
Water and sewer billings	**862,700**	**858,093**	828,057
Other fees and service charges	**436,100**	**479,861**	510,788
	4,581,876	**4,633,149**	4,749,671
Government transfers			
Government of Canada	**1,906,807**	**216,101**	269,821
Province of Ontario	**4,573,542**	**3,075,502**	1,234,576
Other municipalities	**72,845**	**44,300**	49,088
	6,553,194	**3,335,903**	1,553,485
Other			
Investment income	**21,500**	**87,243**	68,488
Penalties and late payment charges	**80,000**	**102,179**	87,021
Other	**2,920**	**2,657**	22,725
	104,420	**192,079**	178,234
Total revenues	**11,239,490**	**8,161,131**	6,481,390
EXPENSES *[note 12] [schedule 3]*			
General government	**992,613**	**1,071,057**	1,149,405
Protection to persons and property	**597,852**	**577,335**	631,773
Transportation services	**965,288**	**909,664**	916,369
Environmental services	**1,438,260**	**1,153,294**	1,453,450
Health services	**175,926**	**164,247**	119,945
Social and family services	**191,585**	**184,686**	191,219
Recreation and cultural services	**1,632,275**	**1,560,257**	1,496,854
Planning and development	**445,456**	**441,519**	464,565
	6,439,255	**6,062,059**	6,423,580
Annual surplus	**4,800,235**	**2,099,072**	57,810
Accumulated surplus, beginning of year	**28,089,294**	**28,089,294**	28,031,484
Accumulated surplus, end of year *[schedule 1]*	**32,889,529**	**30,188,366**	28,089,294

See accompanying notes to the consolidated financial statements.

The Corporation of the Township of Terrace Bay
Consolidated Statement of Change in Net Financial Assets

Year ended December 31	**2018 Budget** $ ***[note 15]***	**2018 Actual** $	2017 Actual $
Annual surplus	**4,800,235**	**2,099,072**	57,810
Acquisition of tangible capital assets *[note 11]*	**(7,791,307)**	**(3,642,134)**	(901,001)
Amortization of tangible capital assets	**1,059,235**	**1,059,235**	1,049,480
Acquisition of prepaid expenses	**-**	**(41,824)**	(34,808)
Use of prepaid expenses	**-**	**30,980**	28,621
Increase (decrease) in net financial assets	**(1,931,837)**	**(494,671)**	200,102
Net financial assets, beginning of year	**3,089,871**	**3,089,871**	2,889,769
Net financial assets, end of year	**1,158,034**	**2,595,200**	3,089,871

See accompanying notes to the consolidated financial statements.

The Corporation of the Township of Terrace Bay
Consolidated Statement of Cash Flows

Year ended December 31	**2018**	2017
	$	$
OPERATIONS		
Annual surplus	**2,099,072**	57,810
Non-cash charges		
Amortization of tangible capital assets	**1,059,235**	1,049,480
Increase (decrease) in landfill closure and post-closure liabilities	**(195,663)**	135,196
	2,962,644	1,242,486
Net change in non-cash working capital balances		
Decrease (increase) in taxes receivable	**62,636**	(96,741)
Increase in accounts receivable	**(517,430)**	(104,977)
Increase (decrease) in accounts payable and accrued liabilities	**273,284**	(101,412)
Increase (decrease) in deferred revenue	**(953,812)**	1,014,547
Increase (decrease) in due to trust fund	**(3,225)**	1,325
Increase in prepaid expenses	**(10,844)**	(6,186)
Cash provided by operating transactions	**1,813,253**	1,949,042
CAPITAL		
Acquisition of tangible capital assets *[note 11]*	**(3,642,134)**	(788,502)
Cash used in capital transactions	**(3,642,134)**	(788,502)
FINANCING		
Repayment of long-term debt	**(183,965)**	(186,073)
Repayment of capital financing	**(23,456)**	(22,717)
Cash used in financing transactions	**(207,421)**	(208,790)
Increase (decrease) in cash and cash equivalents during year	**(2,036,302)**	951,750
Opening cash and cash equivalents	**5,927,663**	4,975,913
Closing cash and cash equivalents	**3,891,361**	5,927,663

See accompanying notes to the consolidated financial statements.

The Corporation of the Township of Terrace Bay
Notes to the Consolidated Financial Statements
December 31, 2018

GENERAL

The Corporation of the Township of Terrace Bay is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements of The Corporation of the Township of Terrace Bay are prepared by management in accordance with accounting policies generally accepted for the local government as prescribed by the Public Sector Accounting Board ("PSAB") of the CICA. The more significant of these accounting policies are as follows:

[a] Basis of consolidation

Reporting entity

These consolidated financial statements reflect the financial assets, liabilities, revenues and expenses, and the accumulated surplus (deficit) of the reporting entity. The reporting entity is comprised of all organizations, local boards, and committees accountable for the administration of their financial affairs and resources, to the Township, and which are owned or controlled by the Township. Accordingly, the following are consolidated in these financial statements:

Terrace Bay Public Library Board
Terrace Bay Police Service Board
Terrace Bay Energy Inc. (inactive)

All interfund balances and transactions have been eliminated.

Government partnerships

Certain organizations in which the Township participates are accounted for on a proportionate consolidation basis, consistent with the treatment for government partnerships. Under the proportionate consolidation basis of accounting, the Township pro-rata share of the assets, liabilities, revenues and expenses that are subject to shared control is combined on a line-by-line basis with similar items in the Township's financial statements. The entity that is accounted for in this manner is:

Thunder Bay Area Emergency Measures Organization

Local boards

The financial activities of certain entities associated with the Township are not consolidated. The Township's contribution to these entities are recorded in the Consolidated Statement of Operations and Accumulated Surplus. The entities that are accounted for in this manner are:

Thunder Bay District Health Unit
The District of Thunder Bay Social Services Administration Board

Trust funds

Certain assets have been conveyed or assigned to the Township to be administered as directed by agreement or statute. The Township holds the assets for the benefit of and stand in fiduciary relationship to the beneficiaries, as a result, the trust funds and assets are excluded from their financial statements.

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.

[b] Basis of accounting

Accrual accounting

The Township uses the accrual basis of accounting which recognizes the effect of transactions and events in the period in which the transaction and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent. It recognizes a liability until the obligation or conditions of the liability is partly or wholly satisfied and recognizes an asset until the future economic benefit underlying the asset is partly or wholly used or lost.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances in banks and short-term investments maturing in 12 months or less, that are highly liquid and are subject to insignificant risk of changes in value.

Pension and employee benefits

The Township accounts for its participation in the Ontario Municipal Employer Retirement System ("OMERS"), a multi-employer defined benefit plan, as a defined contribution plan. Vacation pay, sick leave liability and other post-employment benefits are charged to operations in the year earned.

Non-financial assets

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

[a] Tangible capital assets

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

Buildings		15 to 60 years
Computer		3 to 5 years
Land improvements		20 to 40 years
Library collection		10 years
Linear assets	- roads	3 to 50 years
	- culverts	60 years
	- sewers	50 to 60 years
	- water distribution	40 to 60 years
	- sidewalks	30 years
	- street lighting	25 to 30 years
Machinery, equipment and furniture		8 to 15 years
Vehicles		5 to 20 years

Assets under construction are not amortized until the asset is available for productive use, at which time they are transferred to their respective tangible capital asset categories.

[b] Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

[c] Tangible capital assets recognized at nominal value

Certain assets have been assigned a nominal value of one dollar, because of the difficulty of determining a tenable valuation. The most significant of such assets are the Township's road allowances.

[d] Capitalization of interest

The Township has a policy of capitalizing borrowing costs incurred when financing the acquisition of a tangible capital asset, for those interest costs incurred up to the date the asset goes into use, per PS 3150.17.

[e] Leases

Leases which transfer substantially all of the benefits and risks incidental to ownership of the property to the Township are accounted for as the acquisition of a capital asset and the incurrence on an obligation.

Reserves and reserve funds

Council segregates its accumulated surplus into various categories including reserves which are specifically for future operating and capital purposes.

Revenue recognition

User charges and fees are recognized as revenue in the period in which the related services are performed. Amounts collected for which the related services have yet to be performed are recognized as a liability and recognized as revenue when the related services are performed.

Interest is recognized as it is earned. Investment income earned on surplus funds are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the deferred revenue balance.

Funds received, other than government transfers and tax revenue, for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general purposes are accounted for as deferred revenue on the Consolidated Statement of Financial Position. The revenue is recognized in the Consolidated Statement of Operations and Accumulated Surplus in the year in which it is used for the specified purpose.

Government transfers

Government transfers are transfers of monetary assets or tangible capital assets from a government to an individual, an organization or another government that are not the result of an exchange transaction, expected to be repaid in the future or expected to produce a direct financial return. Government transfers received are recognized in the consolidated financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

Government transfers made to a recipient by the Township are recorded as an expense when they are authorized and the recipient meets all eligibility criteria.

The Township receives development charges under the authority of provincial legislation and Township by-laws (obligatory reserve funds) as well as Gas Tax proceeds from the Federal Government through the Association of Municipalities of Ontario. These funds, by their nature, are restricted in their use and, until applied to specific expenses, are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period they are expended.

Taxation revenue

Taxes are recognized as assets and revenue when they meet the definition of an asset, are authorized and the taxable event occurs, which for property taxes is the period for which the tax is levied.

At each financial statement date, management evaluates the extent to which its tax receivables are ultimately collectible and valuation allowances are used to reflect tax receivables at their net recoverable amount.

At each financial statement date, management evaluates the likelihood of having to repay taxes collected under tax measures that have been deemed authorized using the concept of legislative convention and recognizes a liability when required. Related refunds are accounted for in the period in which the change in estimate occurs.

Landfill closure and post-closure liability

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

Use of estimates

The preparation of 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Township may undertake in the future. Significant accounting estimates include valuation allowance for taxes receivable, estimated useful lives of tangible capital assets, employee benefits payable and solid waste landfill closure and post-closure liabilities. Actual results could differ from these estimates.

2. TRUST FUNDS

Trust funds administered by the Township amounting to $63,355 [2017 - $68,972] have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus.

The Corporation of the Township of Terrace Bay
Notes to the Consolidated Financial Statements
December 31, 2018

3. CASH AND CASH EQUIVALENTS

	2018 $	2017 $
Cash on hand	**1,145**	1,145
Savings account	**1,252,917**	3,328,620
Short-term investments	**2,637,299**	2,597,898
	3,891,361	5,927,663

4. TAXES RECEIVABLE

	2018 $	2017 $
Property and business taxes receivable	**622,135**	743,132
Allowance for property and business tax arrears	**(144,103)**	(202,465)
	478,032	540,667

5. DEFERRED REVENUE

Deferred revenue set aside for specific purposes by legislation, regulation or agreement as at December 31, 2018, was comprised of the following:

	2018 $	2017 $
Obligatory reserve funds		
Federal Gas Tax	**245,429**	199,039
Other deferred revenue		
Ontario Community Infrastructure Fund	**-**	992,919
Association of Municipalities Ontario	**14,954**	-
Ontario Sports Community Recreation Fund	**-**	1,825
Bell Tower Lease	**13,000**	13,000
Provincial Senior's Grant	**-**	10,977
Other	**-**	4,000
Library - Digital Grant	**-**	5,434
	273,383	1,227,194

The continuity of deferred revenue is as follows:

	2018			2017
	Government Transfers $	**Other** $	**Total** $	Total $
Balance, beginning of year	**1,210,194**	**17,000**	**1,227,194**	212,647
Federal Gas Tax, net change	**46,390**	**-**	**46,390**	14,690
Association of Municipalities Ontario	**14,954**	**-**	**14,954**	-
Ontario Community Infrastructure Fund	**(992,919)**	**-**	**(992,919)**	992,919
Provincial Senior's Grant, net	**(10,977)**	**-**	**(10,977)**	(3,949)
Other grant revenue deferred	**(5,434)**	**(4,000)**	**(9,434)**	9,062
Ontario Sports Community Recreation Fund	**(1,825)**	**-**	**(1,825)**	1,825
Balance, end of year	**260,383**	**13,000**	**273,383**	1,227,194

6. LIABILITY FOR EMPLOYEE VESTED SICK LEAVE BENEFITS

Under the sick leave benefit plan, unused sick leave can accumulate and certain employees may become entitled to a cash payment when they retire or leave the Township's employment.

The liability for these accumulated days, to the extent that they have vested and could be taken by an employee on retirement, voluntary termination of employment, or his/her estate upon death amounted to approximately $nil [2017 - $nil]. Payments made to employees who left the Township's employment during the current year amounted to $nil. An amount of $1,102 [2017 - $1,090] has been provided for this past service liability as a reserve fund.

7. PENSION AGREEMENTS

The Township makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of certain 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. The amount contributed to OMERS for 2018 was $105,892 [2017 - $101,447] for current service.

The Corporation of the Township of Terrace Bay
Notes to the Consolidated Financial Statements
December 31, 2018

8. LONG-TERM DEBT

[a] The balance of debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2018 $	2017 $
Canadian Imperial Bank of Commerce Term loan repayable in annual instalments of $37,500, plus annual interest of 3.79%, maturing January 15, 2020.	**75,000**	112,500
Canadian Imperial Bank of Commerce Term loan repayable in annual instalments of $61,100, plus monthly interest of 2.70%, maturing January 30, 2021.	**122,200**	183,300
Ontario Infrastructure Projects Corporation (OIPC) Debenture repayable in semi-annual instalments of $58,696, including interest of 2.73%, maturing July 16, 2029.	**1,108,989**	1,194,354
	1,306,189	1,490,154

[b] Principal payments due within the next five years, assuming renewal at the current terms, are as follows:

	$
2019	186,312
2020	188,723
2021	92,600
2022	95,145
2023	97,760
Thereafter	645,649
	1,306,189

[c] The long-term liabilities in [a] issued in the name of the Township received after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ontario Ministry of Municipal Affairs and Housing.

[d] Total interest charges for debt reported on the Consolidated Statement of Operations and Accumulated Surplus are $38,303 [2017 - $40,655].

9. OBLIGATION UNDER CAPITAL LEASE

In December, 2015, the Municipality entered into a 4-year lease agreement for fireman equipment with National Leasing.

The future minimum annual lease payments of the capital lease expiring between 2018 and 2019, together with the balance of the obligation, are as follows:

	$
2019	24,216
Less current portion	24,216
	-

10. LANDFILL CLOSURE AND POST-CLOSURE

The main components of the landfill closure plan includes final capping using selected specific layers of impermeable materials based on an engineering cap design and implementation of a drainage management plan. The post-closure requirements will involve cap maintenance, groundwater monitoring, gas management system, operation and maintenance, and annual inspections and reports in accordance with Ministry of the Environment regulations.

The Township completed an updated engineering study during the year to assist in the computation of the required closure and post-closure liability. The remaining useful life of the site has been determined to be 36 years and capacity remaining is 118,040 cubic metres, with an anticipated closure date of 2054. The estimated liability is the present value for future cash flows associated with the closure and post-closure care, discounted using a rate of 1.95% [2017 - 2.5%] for closure costs and 4.3% [2017 - 3.6%] for post-closure cost discounting. The estimated total expenses for closure have been estimated at $1,095,340 and post-closure care has been determined to be $15,960 annually for 30 years of post-closure care. Management's estimated accrued liability for these costs of $355,439 [2017 - 551,101] is included as a liability on the Consolidated Statement of Financial Position, leaving an amount to be recognized in the future of $2,728,794 [2017 - $2,907,290]. The decrease in landfill liability of $195,663 has been recorded as a credit to the environmental services expenses – materials. The liability is expected to be funded through budget allocations to a landfill reserve over the remaining life of the landfill.

A reserve fund has been established to mitigate the future impact of the closure and post-closure liability which has a balance of $353,495 [2017 - $289,595] including accrued interest.

11. TANGIBLE CAPITAL ASSETS

Schedule 2 provides information on the tangible capital assets of the Township by major asset class, as well as accumulated amortization of the assets controlled.

During the year, there were no write-downs of assets [2017 - $nil].

Interest capitalized during 2018 was $nil [2017 - $nil].

There were no contributed tangible capital assets in 2018 [2017 - $nil].

There were various capital assets acquired at an aggregate cost of $3,642,134 [2017 - $901,001], of which $nil [2017 - $112,500] was acquired by way of long-term debt, and $3,642,134 [2017 - $788,502] was acquired with cash.

12. SEGMENTED INFORMATION

The Township is a diversified municipal government institution that provides a wide range of services to its citizens, including police, fire, ambulance and water. For management reporting purposes the Township's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Municipal services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

General government
General government services are comprised of various administrative services, including the finance department, corporate services department, and Mayor and Council.

Protection to persons and property
Protection to persons and property is comprised of police services, fire services and protective inspection and control. The police services are contracted from the Ontario Provincial Police. The fire services department is responsible for fire suppression, fire prevention programs, training and education related to prevention, detection or extinguishment of fires. Protective inspection and control ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-laws for the protection of occupants.

Transportation services
Transportation services include roadways, winter control, parking and street lighting. Roadways covers the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, culverts and sidewalks. Winter control includes snowplowing, sanding and salting, snow removal and flood control. Street lighting plans, develops and maintains the street lighting system.

Environmental services
Environmental services consist of waterworks, sanitary sewer, waste collection and disposal and recycling. Waterworks provides drinking water to the citizens of Terrace Bay. Sanitary sewer collects and treats wastewater. Waste collection and disposal and recycling includes the collection of solid waste, landfill site operations and waste minimization programs.

Health services
Health services includes public health services, hospital and ambulance services. Public health services covers the Township of Terrace Bay's contribution to the activities of the Thunder Bay District Health Unit. In response to the health needs of the community, the Thunder Bay District Health Unit provides health information and prevention-related clinical services to people of all ages, advocates for healthy public policy, protects citizens by investigating reportable diseases and upholds regulations that apply to public health.

Social and family services
Social and family services include general assistance, assistance to aged persons, child care and assistance to the disabled. General assistance represents the Township's contribution to the activities of The District of Thunder Bay Social Services Administration Board ("TBDSSAB"). TBDSSAB is responsible for issuing welfare payments, Ontario Works program delivery, employment assistance services and social housing. Under assistance to aged persons, TBDSSAB is responsible for providing services to seniors.

Recreation and cultural services
Recreation and cultural services include parks, recreation programs and facilities, public library and contributions to cultural organizations. The community services department provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services such as fitness and aquatic programs, the development and maintenance of various recreational facilities and the maintenance of parks and open spaces. The public library is dedicated to providing community access to local and global information resources that support lifelong learning, research and leisure activities. The Township makes contributions to various cultural organizations under specific funding programs.

Planning and development
The planning and development department manages urban development for business interest, environmental concerns, heritage matters and local neighbourhoods through city planning and community development and approval of all land development plans.

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. For additional information see the Consolidated Schedule of Segment Disclosure [Schedule 3].

13. RESERVES AND RESERVE FUNDS

The continuity of reserves and reserve funds which make up a part of accumulated surplus in Schedule 1 is as follows:

	2018 $	2017 $
Reserves		
Balance, beginning of year	**210,000**	210,000
Balance, end of year	**210,000**	210,000
Reserve funds		
Balance, beginning of year	**4,972,785**	4,727,566
Increases		
Transfers from operations	**753,845**	385,662
Interest earned	**38,419**	45,472
	792,264	431,134
Decreases		
Transfers to operations	**1,676,186**	185,915
Balance, end of year	**4,088,863**	4,972,785

Subsequent to the year-end, the general fund surplus has been decreased by an amount of $228,317 and transferred to the reserve for acquisition of capital assets as authorized by resolution on July 8, 2019. Had the reduction not been made, the balance of the general fund surplus would have been $228,317.

Also, subsequent to the year-end, the sick leave reserve fund surplus has been decreased by an amount of 1,102 and transferred to the reserve for acquisition of capital assets as authorized by resolution on July 8, 2019.

14. DESIGNATED ASSETS

Of the financial assets reported on the Consolidated Statement of Financial Position, the Council has designated $3,860,523 [2017 - $4,972,785] to support reserve funds.

The Corporation of the Township of Terrace Bay
Notes to the Consolidated Financial Statements
December 31, 2018

15. BUDGET FIGURES

Public Sector Accounting Standards require a comparison of the results for the period with those originally planned on the same basis as that used for actual results. The fiscal plan in the Consolidated Statement of Operations and Accumulated Surplus has been adjusted to be presented on a consistent basis as actual results. Below is a reconciliation of the figures from the approved fiscal plan to the fiscal plan per the financial statements:

	Approved Fiscal Plan	Adjustments	Fiscal Plan per Financial Statements
	$	$	$
Revenues			
Taxation	**3,283,076**	**-**	**3,283,076**
User Charges	**1,298,800**	**-**	**1,298,800**
Government transfers	**6,553,193**	**-**	**6,553,193**
Other	**2,551,530**	**(2,447,109)**	**104,421**
	13,686,599	**(2,447,109)**	**11,239,490**
Expenses			
General government	**1,171,597**	**(178,984)**	**992,613**
Protection to persons and property	**629,787**	**(31,935)**	**597,852**
Transportation services	**1,128,167**	**(162,879)**	**965,288**
Environmental services	**5,049,163**	**(3,610,903)**	**1,438,260**
Health services	**175,926**	**-**	**175,926**
Social and family services	**191,585**	**-**	**191,585**
Recreation and cultural services	**1,469,245**	**163,030**	**1,632,275**
Planning and development	**3,871,129**	**(3,425,673)**	**445,456**
	13,686,599	**(7,247,344)**	**6,439,255**
Annual surplus	**-**	**4,800,235**	**4,800,235**

Interfund transfers	**(2,138,904)**
Capital items	**7,791,307**
Debt repayments	**207,066**
Amortization	**(1,059,234)**
Approved surplus	**4,800,235**

16. CONTRACTUAL OBLIGATIONS

The Township has entered into an agreement for operation and maintenance services for water and wastewater facilities which expires December 31, 2019. The required contractual payments in the next fiscal year total $192,982 plus an adjustment for inflation.

The Township has entered into an agreement for police services which expires December 31, 2019. The required contractual payments in the next fiscal year total $333,335 plus an adjustment for inflation.

17. TEMPORARY LOANS

The Township has available a line of credit of $800,000 [2017 - $800,000] for which the Township has provided a general security agreement of which $nil [2017 - $nil] was borrowed at year-end. Interest on the line of credit is calculated at bank prime rate at year-end.

18. CONTINGENCIES

There are outstanding claims and litigation pending against the Township for which the amount of settlement, if any, is not determinable and will be charged to expenses when determined.

The Corporation of the Township of Terrace Bay
Schedule 1
Consolidated Schedule of Accumulated Surplus

Year ended December 31	**2018**	2017
	$	$
Surplus (deficit)		
Library	**24,004**	26,994
Invested in tangible capital assets	**27,551,342**	24,968,442
Unfunded		
Long-term liabilities	**(1,330,405)**	(1,537,826)
Landfill closure and post-closure liability	**(355,438)**	(551,101)
Total surplus	**25,889,503**	22,906,509
Reserves set aside for specific purposes by Council		
For working capital	**210,000**	210,000
Total reserves	**210,000**	210,000
Reserve funds set aside for specific purposes by Council		
For acquisition of capital assets	**4,088,863**	4,971,695
For sick leave liability	**-**	1,090
Total reserve funds	**4,088,863**	4,972,785
Accumulated surplus	**30,188,366**	28,089,294

The Corporation of the Township of Terrace Bay
Consolidated Schedule of Tangible Capital Assets

Schedule 2

Year ended December 31, 2018

	General							Infrastructure		Totals	
	Land	Land Improvements	Buildings	Vehicles	Computer	Machinery, Equipment and Furniture	Library Collections	Linear Assets	Assets under Construction	2018	2017
	$	$	$	$	$	$	$	$	$	$	$
COST											
Balance, beginning of year	**4,967,465**	**1,040,255**	**16,506,839**	**2,980,059**	**168,868**	**3,830,120**	**502,610**	**14,464,205**	**171,044**	**44,631,465**	43,730,463
Add											
Additions during the year	**-**	**-**	**-**	**38,547**	**1,870**	**26,735**	**11,335**	**-**	**3,563,647**	**3,642,134**	901,002
Transfers In	-	-	-	-	-	-	-	-	-	-	216,491
Less											
Transfers Out	-	-	-	-	-	-	-	-	-	-	216,491
Balance, end of year	**4,967,465**	**1,040,255**	**16,506,839**	**3,018,606**	**170,738**	**3,856,855**	**513,945**	**14,464,205**	**3,734,691**	**48,273,599**	44,631,465
ACCUMULATED AMORTIZATION											
Balance, beginning of year	**-**	**853,782**	**6,560,586**	**1,928,898**	**145,124**	**2,320,746**	**426,532**	**7,427,354**	**-**	**19,663,022**	18,613,542
Add											
Amortization during the year	**-**	**14,454**	**515,292**	**111,318**	**11,727**	**147,044**	**14,487**	**244,913**	**-**	**1,059,235**	1,049,480
Less											
Balance, end of year	**-**	**868,236**	**7,075,878**	**2,040,216**	**156,851**	**2,467,790**	**441,019**	**7,672,267**	**-**	**20,722,257**	19,663,022
Net book value, beginning of year	**4,967,465**	**186,473**	**9,946,253**	**1,051,161**	**23,744**	**1,509,374**	**76,078**	**7,036,851**	**171,044**	**24,968,443**	25,116,921
Net book value, end of year	**4,967,465**	**172,019**	**9,430,961**	**978,390**	**13,887**	**1,389,065**	**72,926**	**6,791,938**	**3,734,691**	**27,551,342**	24,968,443

Filed: 2020-08-04, EB-2019-0255, Schedule E, Page 309 of 410

The Corporation of the Township of Terrace Bay
Consolidated Schedule of Segment Disclosure

Schedule 3

Year ended December 31, 2018

	General Government		Protection to Persons and Property		Transportation Services		Environmental Services		Health Services	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	$	$	$	$	$	$	$	$	$	$
Revenues										
Taxation	**3,295,195**	3,410,826	**-**	-	**-**	-	**-**	-	**-**	-
Government transfers	**961,360**	1,075,275	**4,319**	41,403	**1,919,056**	4,559	**299,152**	168,419	**-**	-
User fees and service charges	**129,200**	162,168	**21,837**	30,402	**4,700**	11,740	**895,649**	860,724	**2,791**	1,726
Other municipalities	**-**	-	**-**	-	**-**	-	**44,300**	49,088	**-**	-
Other revenues	**56,246**	76,697	**-**	-	**-**	-	**-**	-	**-**	-
Interest income - general	**102,179**	87,021	**-**	-	**-**	-	**16,928**	15,073	**-**	-
Interest income - reserves and reserve funds	**83,837**	69,154	**-**	-	**-**	-	**-**	-	**-**	-
	4,628,017	4,881,141	**26,156**	71,805	**1,923,756**	16,299	**1,256,029**	1,093,304	**2,791**	1,726
Expenses										
Salaries, wages and employee benefits	**561,160**	533,988	**98,073**	96,098	**369,869**	352,572	**185,025**	190,292	**7,884**	5,005
Long-term debt charges	**-**	-	**-**	-	**-**	-	**30,958**	33,279	**-**	-
Materials	**266,968**	167,722	**118,408**	145,878	**316,623**	500,749	**93,014**	262,707	**41,589**	3,846
Contracted services	**119,446**	165,044	**318,689**	344,740	**3,245**	3,611	**415,956**	404,111	**81,800**	78,121
Rent	**31,950**	30,308	**-**	-	**-**	-	**-**	-	**-**	-
Other	**85,151**	226,310	**-**	-	**-**	-	**-**	-	**32,974**	32,974
Amortization	**6,382**	7,516	**42,165**	46,964	**219,927**	221,354	**428,341**	427,865	**-**	-
	1,071,057	1,130,888	**577,335**	633,680	**909,664**	1,078,286	**1,153,294**	1,318,254	**164,247**	119,946
Annual surplus (deficit)	**3,556,960**	3,750,253	**(551,179)**	(561,875)	**1,014,092**	(1,061,987)	**102,735**	(224,950)	**(161,456)**	(118,220)

Filed: 2020-08-04, EB-2019-0255, Schedule E, Page 310 of 410

The Corporation of the Township of Terrace Bay

Consolidated Schedule of Segment Disclosure

Year ended December 31, 2018

Schedule 3 (continued)

	Social and Family Services		Recreation and Cultural Services		Planning and Development		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	$	$	$	$	$	$	$	$
Revenues								
Taxation	**-**	-	**-**	-	**-**	-	**3,295,195**	3,410,826
Government transfers	**51,827**	57,700	**53,331**	157,045	**2,560**	-	**3,291,605**	1,504,401
User fees and service charges	**4,409**	11,850	**180,048**	164,843	**32,207**	25,677	**1,270,841**	1,269,130
Other municipalities	**-**	-	**-**	-	**-**	-	**44,300**	49,088
Other revenues	**-**	-	**-**	-	**-**	-	**56,246**	76,697
Interest income - general	**-**	-	**-**	-	**-**	-	**119,107**	102,094
Interest income - reserves and reserve funds	**-**	-	**-**	-	**-**	-	**83,837**	69,154
	56,236	69,550	**233,379**	321,888	**34,767**	25,677	**8,161,131**	6,481,390
Expenses								
Salaries, wages and employee benefits	**-**	-	**708,810**	653,004	**184,418**	195,873	**2,115,239**	2,026,832
Long-term debt charges	**-**	-	**-**	-	**-**	-	**30,958**	33,279
Materials	**26,569**	24,757	**636,247**	635,688	**87,888**	65,894	**1,587,306**	1,807,241
Contracted services	**-**	145,527	**5,670**	7,124	**13,822**	13,245	**958,628**	1,161,523
Rent	**-**	-	**-**	-	**-**	-	**31,950**	30,308
Other	**158,117**	20,935	**-**	-	**2,500**	34,697	**278,742**	314,916
Amortization	**-**	-	**209,530**	192,891	**152,891**	152,891	**1,059,236**	1,049,481
	184,686	191,219	**1,560,257**	1,488,707	**441,519**	462,600	**6,062,059**	6,423,580
Annual surplus (deficit)	**(128,450)**	(121,669)	**(1,326,878)**	(1,166,819)	**(406,752)**	(436,923)	**2,099,072**	57,810

Filed: 2020-08-04, EB-2019-0255, Schedule E, Page 311 of 410

Grant Thornton LLP
Suite 300
979 Alloy Drive
Thunder Bay, ON
P7B 5Z8

T +1 807 345 6571
F +1 807 345 0032

Independent Auditor's Report

To the Board Members, Members of Council, Inhabitants and Ratepayers of
Terrace Bay Public Library Board

Opinion

We have audited the financial statements of the Terrace Bay Public Library Board ("the Library"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Terrace Bay Public Library Board as at December 31, 2018, and its results of operations, its change in net financial assets, 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 Library 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.

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

Management is responsible for the preparation and fair presentation of these 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 Library's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Library or to cease operations, or has no realistic alternative but to do so.

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

Audit | Tax | Advisory
©Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd. All rights reserved.
grantthornton.ca

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 Library'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 Library'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 Library 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.

Grant Thornton LLP

Thunder Bay, Canada
July 8, 2019

Chartered Professional Accountants
Licensed Public Accountants

Terrace Bay Public Library Board
Statement of Financial Position

As at December 31	**2018**	2017
	$	$
FINANCIAL ASSETS		
Cash	**50**	50
Accounts receivable - The Corporation of the Township of Terrace Bay	**23,954**	32,378
Total financial assets	**24,004**	32,428
FINANCIAL LIABILITIES		
Deferred revenue	**-**	5,434
NET FINANCIAL ASSETS	**24,004**	26,994
NON-FINANCIAL ASSETS		
Tangible capital assets, net *[note 5]*	**84,044**	88,939
Accumulated surplus *[schedule 1]*	**108,048**	115,933

See accompanying notes to the financial statements.

Terrace Bay Public Library Board
Statement of Operations and Accumulated Surplus

Year ended December 31	2018 Budget $ *[note 3]*	2018 Actual $	2017 Actual $
REVENUES			
Municipal contribution	**193,107**	**191,630**	185,339
Province of Ontario grants			
Library services	**5,499**	**5,499**	5,499
Other	**5,982**	**5,982**	5,692
Fines	**500**	**375**	565
Miscellaneous	**3,600**	**3,154**	3,206
Total revenues	**208,688**	**206,640**	200,301
EXPENSES			
Administrative and general	**9,720**	**6,445**	6,301
Amortization	**18,905**	**18,905**	17,555
Books	**17,500**	**2,728**	-
Fringe benefits	**30,426**	**27,624**	24,038
Furniture, equipment and maintenance	**7,120**	**3,611**	4,103
Insurance	**1,073**	**1,073**	1,520
Office supplies	**2,500**	**1,986**	2,186
Periodicals and newspapers	**2,000**	**1,634**	-
Rent	**31,950**	**31,950**	30,308
Salaries	**125,399**	**118,569**	112,901
Total expenses	**246,593**	**214,525**	198,912
NET REVENUES (EXPENSES)	**(37,905)**	**(7,885)**	1,389
Annual surplus (deficit)	**(37,905)**	**(7,885)**	1,389
Accumulated surplus, beginning of year	**115,933**	**115,933**	114,544
Accumulated surplus, end of year	**78,028**	**108,048**	115,933

See accompanying notes to the financial statements.

Terrace Bay Public Library Board
Statement of Change in Net Financial Assets

Year ended December 31	**2018**	**2018**	2017
	Budget	**Actual**	Actual
	$	$	$
	[note 3]		
Annual surplus (deficit)	**(37,905)**	**(7,885)**	1,389
Acquisition of tangible capital assets	**-**	**(14,010)**	(18,967)
Amortization of tangible capital assets	**18,905**	**18,905**	17,555
Decrease in net financial assets	**(19,000)**	**(2,990)**	(23)
Net financial assets, beginning of year	**26,994**	**26,994**	27,017
Net financial assets, end of year	**7,994**	**24,004**	26,994

See accompanying notes to the financial statements.

Terrace Bay Public Library Board
Statement of Cash Flows

Year ended December 31	**2018**	2017
	$	$
OPERATIONS		
Annual surplus (deficit)	**(7,885)**	1,389
Non-cash charges		
Amortization of tangible capital assets	**18,905**	17,555
	11,020	18,944
Net change in non-cash working capital balances		
Decrease (increase) in accounts receivable	**8,424**	(5,411)
Increase (decrease) in deferred revenue	**(5,434)**	5,434
Cash provided by operating transactions	**14,010**	18,967
CAPITAL		
Acquisition of tangible capital assets	**(14,010)**	(18,967)
Cash used in capital transactions	**(14,010)**	(18,967)
Increase in cash during year	**-**	-
Cash, beginning of year	**50**	50
Cash, end of year	**50**	50

See accompanying notes to the financial statements.

Terrace Bay Public Library Board
Notes to the Financial Statements
December 31, 2018

1. NATURE OF BUSINESS

The Terrace Bay Public Library Board ("Library Board") provides access to books and other sources of information to the citizens of the Township of Terrace Bay.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements of the Terrace Bay Public Library Board are prepared by management in accordance with accounting policies generally accepted for the local government sector as prescribed by the Public Sector Accounting Board ("PSAB") of the CICA. The more significant of these accounting policies are as follows:

Accrual accounting

Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable.

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. Tangible capital assets received as contributions are recorded at their fair value at the date of receipt. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer hardware	3 to 5 years
Furniture and equipment	8 to 15 years
Library collection	10 years

Contributions of tangible capital assets

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

Cash

Cash consists of cash on deposit and cash on hand.

Reporting entity

The financial statements reflect the financial assets, liabilities, revenues, expenses and accumulated surplus of the Library Board.

Terrace Bay Public Library Board
Notes to the Financial Statements
December 31, 2018

Revenue recognition

Government grants are recognized when approved to the extent the related expenses have been incurred and collection can be reasonably assured.

User fees and other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

Deferred revenue

Deferred revenue is comprised of donations subject to externally imposed restrictions with respect to its use and the unspent portion of conditional grants.

Use of estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Library Board may undertake in the future. Significant accounting estimates include allowance for doubtful accounts. Actual results could differ from those estimates.

Terrace Bay Public Library Board
Notes to the Financial Statements
December 31, 2018

3. BUDGET FIGURES

Public Sector Accounting Standards require a comparison of the results for the period with those originally planned on the same basis as that used for actual results. The fiscal plan in the Statement of Operations and Accumulated Surplus has been adjusted to be presented on a consistent basis as actual results. Below is a reconciliation of the figures from the approved fiscal plan to the fiscal plan per the financial statements.

	Approved Fiscal Plan $	Adjustments $	Fiscal Plan per Financial Statements $
Revenues			
Municipal contribution	**193,107**	**-**	**193,107**
Province of Ontario grants - Library Services	**5,499**	**-**	**5,499**
Province of Ontario grants - other	**5,982**	**-**	**5,982**
Fines	**500**	**-**	**500**
Miscellaneous	**22,600**	**(19,000)**	**3,600**
	227,688	**(19,000)**	**208,688**
Expenses			
Administrative and general	**9,720**	**-**	**9,720**
Amortization	**-**	**18,905**	**18,905**
Fringe benefits	**30,426**	**-**	**30,426**
Furniture, equipment and maintenance	**7,120**	**-**	**7,120**
Insurance	**1,073**	**-**	**1,073**
Library books, films and videos	**17,500**	**-**	**17,500**
Library periodicals	**2,000**	**-**	**2,000**
Office supplies	**2,500**	**-**	**2,500**
Rent	**31,950**	**-**	**31,950**
Salaries	**125,399**	**-**	**125,399**
	227,688	**18,905**	**246,593**
Annual surplus (deficit)	**-**	**(37,905)**	**(37,905)**
Contributions from reserves	**(19,000)**		
Amortization	**(18,905)**		
Approved deficit	**(37,905)**		

Terrace Bay Public Library Board
Notes to the Financial Statements
December 31, 2018

4. ANALYSIS OF RESERVE FUND

	2018 $	2017 $
Balance, beginning of year	**58,537**	58,564
Change in reserve fund	**(2,886)**	(27)
Balance, end of year	**55,651**	58,537

The reserve fund is held by The Corporation of the Township of Terrace Bay.

5. TANGIBLE CAPITAL ASSETS

Details of year-end tangible capital asset balances are as follows:

	Library collection $	**Computer hardware** $	**Furniture and equipment** $	**Total 2018** $	Total 2017 $
Cost					
Balance, beginning of year	**502,610**	**34,483**	**87,416**	**624,509**	605,542
Add: Additions during the year	**11,335**	**1,870**	**805**	**14,010**	18,967
Balance, end of year	**513,945**	**36,353**	**88,221**	**638,519**	624,509
Accumulated amortization					
Balance, beginning of year	**425,281**	**29,769**	**80,520**	**535,570**	518,015
Add: Amortization during the year	**14,934**	**2,066**	**1,905**	**18,905**	17,555
Balance, end of year	**440,215**	**31,835**	**82,425**	**554,475**	535,570
Net book value of tangible capital assets, beginning of year	**77,329**	**4,714**	**6,896**	**88,939**	87,527
Net book value of tangible capital assets, end of year	**73,730**	**4,518**	**5,796**	**84,044**	88,939

Terrace Bay Public Library Board — Schedule 1

Accumulated Surplus

Year ended December 31	**2018**	2017
	$	$
Surplus		
General fund	**24,004**	26,994
Investment in tangible capital assets	**84,044**	88,939
Accumulated surplus	**108,048**	115,933

Grant Thornton LLP
Suite 300
979 Alloy Drive
Thunder Bay, ON
P7B 5Z8

T +1 807 345 6571
F +1 807 345 0032

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Township of Terrace Bay

Opinion

We have audited the financial statements of the Trust Funds of The Corporation of the Township of Terrace Bay ("the Township"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and accumulated surplus, and cash flows 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 Corporation of the Township of Terrace Bay as at December 31, 2018, and its results of operations 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 Township in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Responsibilities of Management and Council for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Township's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Township or to cease operations, or has no realistic alternative but to do so.

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

Audit | Tax | Advisory
©Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd. All rights reserved.
grantthornton.ca

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 Township'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 Township'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 Township 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.

Grant Thornton LLP

Thunder Bay, Canada
July 8, 2019

Chartered Professional Accountants
Licensed Public Accountants

The Corporation of the Township of Terrace Bay
Trust Funds
Statement of Financial Position

As at December 31

	Cemetery Perpetual Care Trust Fund	Sage Trust Fund	2018 Total	2017 Total
	$	$	$	$
FINANCIAL ASSETS				
Cash and cash equivalents	**63,355**	**-**	**63,355**	65,748
Due from operating fund	**-**	**-**	**-**	3,225
Total financial assets	**63,355**	**-**	**63,355**	68,973
FUND BALANCES				
Capital	**39,878**	**-**	**39,878**	46,542
Income	**23,477**	**-**	**23,477**	22,431
Total fund balances	**63,355**	**-**	**63,355**	68,973

See accompanying note to the financial statements.

The Corporation of the Township of Terrace Bay
Trust Funds
Statement of Operations and Accumulated Surplus

Year ended December 31

	Cemetery Perpetual Care Trust Fund	Sage Trust Fund	2018 Total	2017 Total
	$	$	$	$
REVENUES				
Capital receipts				
Plot sales	**1,625**	**-**	**1,625**	1,325
Interest earned	**1,046**	**-**	**1,046**	558
	2,671	**-**	**2,671**	1,883
EXPENSES				
Service charges	**-**	**-**	**-**	20
Contributions to operating	**8,100**	**189**	**8,289**	-
	8,100	**189**	**8,289**	20
Annual surplus (deficit)	**(5,429)**	**(189)**	**(5,618)**	1,863
Accumulated surplus, beginning of year	**68,784**	**189**	**68,973**	67,110
Accumulated surplus, end of year	**63,355**	**-**	**63,355**	68,973

See accompanying note to the financial statements.

The Corporation of the Township of Terrace Bay
Trust Funds
Statement of Cash Flows

Year ended December 31	**2018**	2017
	$	$
OPERATIONS		
Annual surplus (deficit)	**(5,618)**	1,863
Net changes in non-cash working capital balances		
Increase (decrease) in due from operating fund	**3,225**	(1,325)
Cash provided by (used in) operating activity	**(2,393)**	538
Increase (decrease) in cash and cash equivalents during year	**(2,393)**	538
Cash and cash equivalents, beginning of year	**65,748**	65,210
Cash and cash equivalents, end of year	**63,355**	65,748

See accompanying note to the financial statements.

The Corporation of the Township of Terrace Bay
Trust Funds
Note to the Financial Statements
December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

Interest earned in these funds are recorded on the accrual basis.

[a] Capital receipts and income are reported on the accrual basis of accounting, which recognizes revenue as they become available and measureable.

[b] Expenditures are reported on the accrual basis of accounting which recognizes expenditures 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.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and term deposits in money market instruments with maturity dates of less than three months from the date they are acquired. They are recorded at the lower of cost or market value.

Consolidated Financial Statements of

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Year ended December 31, 2017

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Financial Statements

Year ended December 31, 2017

Page

Management's Responsibility for the Consolidated Financial Statements 1

Independent Auditors' Report 2

Consolidated Statement of Financial Position 4

Consolidated Statement of Operations and Accumulated Surplus 5

Consolidated Statement of Changes in Net Debt 6

Consolidated Statement of Cash Flows 7

Notes to Consolidated Financial Statements ..... 8 - 25

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of The Municipality of Wawa (the "Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of the consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in 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.

The finance committee meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Municipality. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

~~Chief Administrative Officer/ Clerk-Treasurer~~
Acting CAO / Deputy Clerk

KPMG LLP
111 Elgin Street, Suite 200
Sault Ste Marie ON P6A 6L6
Canada
Telephone (705) 949-5811
Fax (705) 949-0911

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of The Municipality of Wawa

We have audited the accompanying consolidated financial statements of The Corporation of The Municipality of Wawa (the "Municipality"), which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity
KPMG Canada provides services to KPMG LLP

Basis for Qualified Opinion

Canadian public sector accounting standards require that financial statements should recognize an impairment in a tangible capital asset when there is an impairment in the service potential or an impairment in future economic benefits. The Municipality has not recognized nor estimated the impairment of the rail bed. Accordingly, we were not able to determine the adjustments that would be required to tangible capital assets, expenses, annual surplus (deficit) and accumulated surplus.

Opinion

In our opinion, except for the effects of any adjustments, if any, as explained in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2017, and its consolidated results of operations, its consolidated changes in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada
September 4, 2018

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Financial assets		
Cash and cash equivalents	$ 136,696	$ 121,647
Investments	4,906,977	3,188,393
Taxes receivable	1,131,454	1,708,256
Accounts receivable	1,087,333	1,535,392
Inventory for resale	79,498	80,253
Loans receivable (note 2)	520,368	133,259
Other	-	5,875
	7,862,326	6,773,075
Financial liabilities		
Accounts payable and accrued liabilities	871,964	1,076,312
Deferred revenue - obligatory reserves (note 3)	1,147,407	954,583
Deferred revenue - other (note 3)	120,782	8,296
Employee future benefit obligations (note 5)	1,530,246	1,511,718
Landfill closure and post closure liability (note 6)	1,373,945	1,293,610
Long-term obligations (note 7)	4,526,124	4,713,674
	9,570,468	9,558,193
Net debt	(1,708,142)	(2,785,118)
Non-financial assets		
Tangible capital assets (note 8)	39,383,776	40,754,901
Prepaid expenses	117,741	80,603
Inventories	84,978	72,840
	39,586,495	40,908,344
Commitments (note 13)		
Accumulated surplus (note 11)	$ 37,878,353	$ 38,123,226

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2017, with comparative information for 2016

	Budget (note 14)	2017	2016
Revenue:			
Net taxation (note 9)	$ 4,570,566	$ 4,412,181	$ 4,354,651
Government transfers and grants	5,404,941	5,995,833	5,849,231
Fees and user charges	2,387,935	2,525,839	2,411,741
Investment and interest income	26,500	51,882	38,508
Other	840,058	874,177	1,775,189
Total revenue	13,230,000	13,859,912	14,429,320
Expenses:			
General government	2,162,607	1,976,981	2,093,896
Protection services	1,563,077	2,457,616	1,862,996
Transportation services	3,696,021	2,901,908	3,170,020
Environmental services	1,969,235	2,407,286	2,230,203
Health services	115,534	126,622	117,136
Social and family services	1,514,957	1,517,006	1,503,676
Recreation and cultural services	2,276,582	2,504,662	2,227,098
Planning and development	213,088	212,704	182,023
Total expenses	13,511,101	14,104,785	13,387,048
Annual surplus (deficit) before undernoted	(281,101)	(244,873)	1,042,272
Other income (expense):			
Donation revenue	-	4,237,796	-
Tax write-off on MPAC settlement	-	(4,237,796)	-
Annual surplus (deficit)	(281,101)	(244,873)	1,042,272
Accumulated surplus, beginning of year	38,123,226	38,123,226	37,080,954
Accumulated surplus, end of year	$ 37,842,125	$ 37,878,353	$ 38,123,226

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Statement of Change in Net Debt

Year ended December 31, 2017, with comparative information for 2016

	Budget (note 14)	2017	2016
Annual surplus (deficit)	$ (281,101)	$ (244,873)	$ 1,042,272
Acquisition of tangible capital assets	(1,861,935)	(1,249,181)	(3,194,713)
Amortization of tangible capital assets	2,620,306	2,620,306	2,587,075
	477,270	1,126,252	434,634
Change in prepaid supplies	-	(37,138)	(4,510)
Change in inventories of supplies	-	(12,138)	64,785
Change in net financial assets	477,270	1,076,976	494,909
Net debt, beginning of year	(2,785,118)	(2,785,118)	(3,280,027)
Net debt, end of year	$ (2,307,848)	$ (1,708,142)	$ (2,785,118)

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Statement of Changes in Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	$ (244,873)	$ 1,042,272
Items not involving cash:		
Amortization of tangible capital assets	2,620,306	2,587,075
Change in future employee benefit obligations	18,528	28,658
Change in landfill closure and post-closure liability	80,335	20,670
	2,474,296	3,678,675
Change in non-cash assets and liabilities:		
Taxes receivable	576,802	(283,097)
Accounts receivable	448,059	258,760
Loans receivable	(387,109)	(133,259)
Other	5,875	3,232
Prepaid expenses	(37,138)	(4,510)
Inventories	(11,383)	49,895
Accounts payable and accrued liabilities	(204,348)	76,208
Deferred revenue - obligatory reserves	192,824	(243,291)
Deferred revenue - other	112,486	(204,049)
	3,170,364	3,198,564
Capital activities:		
Cash used to acquire tangible capital assets	(1,249,181)	(3,194,713)
	(1,249,181)	(3,194,713)
Financing activities:		
Decrease (increase) in investments	(1,718,584)	178,579
Repayment of long-term liabilities	(187,550)	(225,608)
	(1,906,134)	(47,029)
Net change in cash	15,049	(43,178)
Cash and cash equivalents, beginning of year	121,647	164,825
Cash and cash equivalents, end of year	$ 136,696	$ 121,647

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2017

The Municipality of Wawa (the "Municipality") is a municipality in the Province of Ontario, Canada. The Municipality provides municipal services such as public works, planning, parks and recreation, library and other general government operations in accordance with the provisions of provincial statues such as the Municipal Act, Municipal Affairs Act and related legislation.

1. Significant accounting policies:

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

(a) Basis of consolidation:

(i) Consolidated entities:

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and which are owned or controlled by the Municipality.

These entities and organizations include:

Wawa Public Library Board

Board of Management for the Wawa Business Improvement Area

Interdepartmental and inter-organizational transactions and balances between these entities and organizations have been eliminated.

(ii) Related entities:

The consolidated financial statements do not reflect the assets, liabilities, sources of financing, expenses and the activities of the following Boards and enterprises which are not under the control of Council.

Algoma Health Unit
Algoma District Social Services Administration Board

(iii) Trust funds:

Trust funds and their related operations administered by the Municipality are not included in the consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2017

1. Significant accounting policies (continued):

(b) Basis of accounting:

The Municipality follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Revenue recognition:

The Municipality prepared tax billings based on assessment rolls issued by the Municipal Property Assessment Corporation, in accordance with rates established and approved annually by Council and the Province of Ontario. Taxation revenue is recognized in the period in which the taxes are levied.

Government transfers are recognized in the period in which the events giving rise to the transfer occurred, provided that the transfer is authorized and the amount can be reasonably estimated. Government grants are recognized when approved to the extent the related expenditures have been incurred and collection can be reasonably assured.

User fees and other revenues are recognized when the services are performed or goods are delivered, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and fees are fixed or determinable. Amounts received for future services are deferred until the service is provided.

(d) Temporary investments:

Temporary investments are recorded at the lower of cost and market value.

(e) Inventories:

Inventories held for resale are stated at the lower of cost and net realizable value, while inventories of supplies are stated at lower of cost and replacement value.

(f) Deferred revenue:

Deferred revenues represent licenses, permits and other fees which have been collected, but for which the related services or inspections have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

1. Significant accounting policies (continued):

(g) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

i. Tangible capital assets:

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

Asset	Useful Life - Years
Machinery, equipment and computers	3 - 20 years
Library collection	5 years
Land improvements	10 years
Vehicles	5 - 15 years
Buildings and building improvements	20 - 40 years
Infrastructure	25 - 50 years

Assets are amortized in the month following purchase or in-service date. Assets under construction are not amortized until the asset is available for productive use.

The Municipality of Wawa has a capitalization threshold between $5,000 and $75,000 for various categories of tangible capital assets. Individual assets below the threshold are expensed, unless they are pooled, because collectively, they have significant value. The Municipality's threshold for pooled assets is $5,000.

ii. Contributions for tangible capital assets:

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

iii Leased tangible capital assets:

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

1. **Significant accounting policies (continued):**

(g) Non-financial assets (continued):

iv. Works of art and historical treasures:

Works of art and historical treasures are property that has cultural, aesthetic, or historical value that is worth preserving perpetually. Works of art and historical treasures would not be recognized as tangible capital assets in government financial statements because a reasonable estimate of the future benefits associated with such property cannot be determined. Disclosure of the existence of such property is required under PSAB.

Tangible capital assets meeting the aforementioned description for the Municipality of Wawa are:

Wawa Goose Monument	$ 275,000
Drill Rig Monument	50,000
Train Display	5,000

(h) Surplus land:

The carrying value of surplus land is based on the purchase and development costs and does not reflect any gain that may arise if the land sells for more than the carrying value.

(i) 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, landfill liability and in performing actuarial valuations of employee future benefits.

In addition, the Municipality's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

(j) Employee future benefits:

The Municipality accrues its obligations for employee benefit plans. The cost of post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of salary escalation, retirement ages and expected health care costs.

(k) Landfill liability:

The liability for closure of operational sites and post-closure care has been recognized based on estimated future expenses, estimated inflation and the usage of the site's capacity during the year.

2. Promissory notes receivable:

On November 1, 2012, the Municipality of Wawa and Superior Aggregates Company entered into a pari passu agreement along with five other parties. Superior Aggregates Company signed a promissory note payable in the amount of $1,248,289 plus interest at the rate of 10% per annum, calculated annually. No payments of principal or interest were due or payable until December 1, 2015. Interest accrued on the initial balance from November 1, 2012 until December 1, 2015. On January 11, 2013, a mortgage was registered on the property owned by Superior Aggregates Company in addition to the promissory note payable. During the year, the Municipality obtained 100% of this agreement.

On August 29, 2017, the Municipality entered into a second promissory note with the third party in the amount of $388,109, representing the amount paid to obtain 100% of the agreement referred to above. This balance does not bear interest and was payable in full on September 29, 2017. Payment on this note has not occurred and this promissory note is in default.

On August 9, 2016, the Municipality entered into a loan agreement with Michipicoten Golf Club Limited related to the purchase of turf equipment. The loan is interest free with repayment based on proceeds of specific programs and no set regular repayment terms.

	2017	2016
Promissory notes receivable	$ 1,113,547	$ 725,438
Loan receivable from Michipicoten Golf Club Limited	132,259	133,259
Less: allowance for possible impairment	(725,438)	(725,438)
	$ 520,368	$ 133,259

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2017

3. Deferred revenue:

The balances in the deferred revenue - obligatory of the Municipality consist of:

	2017	2016
Lot levies	$ 28,496	$ 28,209
Federal Gas Tax	1,118,911	926,374
	$ 1,147,407	$ 954,583

Continuity of deferred revenue - obligatory is as follows:

	2017	2016
Balance, beginning of year	$ 954,583	$ 1,197,874
Contributions	184,102	180,899
Interest	8,722	2,465
	1,147,407	1,381,238
Contributions used	–	(426,655)
Balance, end of year	$ 1,147,407	$ 954,583

The balances in the deferred revenue - other of the Municipality consist of:

	2017	2016
Deferred revenue - non-obligatory	$ 99,282	$ 8,296
Prepaid rent	21,500	–
	$ 120,782	$ 8,296

Continuity of deferred revenue - other of the Municipality is as follows:

	2017	2016
Balance, beginning of year	$ 8,296	$ 212,345
Contributions	120,666	4,752
Contributions used	(8,180)	(208,801)
Balance, end of year	$ 120,782	$ 8,296

4. Trust funds:

The trust funds administered by the Municipality amounting to $209,315 (2016 - $192,592) are presented in a separate financial statement of trust fund balances and operations. As such balances are held in trust by the Municipality for the benefit of others; they are not presented as part of the Municipality's financial position or financial activities.

5. Employee future benefit obligations:

Employee future benefits are liabilities of the Municipality to its employees and early retirees for the following benefits earned but not taken as at December 31 are as follows:

	2017	2016
Accumulated sick leave benefit plan entitlements	$ 81,270	$ 98,116
Vacation pay	246,549	260,767
Medical and dental plan entitlements	1,202,427	1,152,835
Employee future benefit obligations	$ 1,530,246	$ 1,511,718

A reserve fund in the amount of $247,877 (2016 - $256,881) has been established to fund this liability.

Accumulated sick leave payable

Municipal employees are allowed six days of sick leave per year. If the days are not taken by the end of the year, they can be paid out at 50% of their value or carried forward to be used as additional sick leave in future years. At December 31, 2017, this liability is estimated at $81,270 (2016 - $98,116).

Employee health care and life insurance

The Municipality provides extended health care and life insurance benefits to its employees. An independent actuarial study of the post-retirement and post-employment benefits has been undertaken. The valuation of the employee future benefits was completed effective December 31, 2015.

At December 31, 2017, the Municipality's accrued benefit obligation relating to post-retirement and post-employment benefits plan is $1,202,427 (2016 - $1,152,835)

5. Employee future benefit obligations (continued):

The benefit liability continuity is as follows:

	2017	2016
Accrued benefit liability, January 1	$ 1,152,835	$ 1,106,871
Expense	37,118	35,690
Payments	(33,708)	(34,034)
Interest accrued	46,182	44,308
Accrued benefit liability, December 31	$ 1,202,427	$ 1,152,835

	2017	2016
Significant assumptions:		
Discount rate	4.0%	4.0%
Health cost increase	6.2%	6.8%

6. Landfill closure and post-closure liability:

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated life of the landfill site based on usage.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a thirty year period using the best information available to management. Future events may result in significant changes to the estimated total expenditures capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The Municipality operates one open landfill site and it owns and monitors two closed landfill sites. The open site has a remaining capacity of approximately 14,962 metric tons (2016 – 20,134 m^3). At current average fill rates, the site has a remaining operating life of approximately three years and expected closure in December 2020. The change in liability is recorded based on the capacity of the landfill sites used to date. At December 31, 2017, an amount of $1,373,945 (2016 - $1,293,610) with respect to landfill closure and post-closure liability has been accrued and will be funded from future taxation revenue.

A reserve of $115,747 (2016 - $64,268) has been established to contribute to the cost of closing and maintaining the landfill sites.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2017

7. Long-term obligations:

	2017	2016
Ontario Infrastructure and Lands Corporation debenture, payable semi-annual $76,632 with interest at 5.6%, repayable July 2049	$ 2,328,708	$ 2,354,479
Debentures, payable approximately $185,000 annually Including interest ranging from 3.75% to 4.50%, due between August 2018 and August 2020	1,825,000	1,925,000
Loan payable CMHC, $30,569 annually including interest at 3.59%, repayable December 2025	209,345	231,600
Ontario Infrastructure and Lands Corporation Debenture payable $18,409 semi-annually with interest at 2.83%, repayable December 2021	138,317	170,535
Ontario Infrastructure and Lands Corporation Debenture payable $2,110 semi-annually with interest at 3.00%, repayable February 2024	24,754	28,154
Royal Bank loan payable, $4,272 monthly including interest at 3.67%, due October 2017, secured by vehicle, repayable on demand	–	3,906
	$ 4,526,124	$ 4,713,674

Principal due on long-term debt is approximately as follows:

2018	$ 191,927
2019	200,351
2020	1,703,923
2021	97,650
2022	64,460
Thereafter	2,267,813

The annual principal and interest payments required to service the long-term obligations of the Municipality are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31 2017

8. Tangible capital assets:

	Land	Landfill and Land Improvements	Buildings and Building Improvements	Infrastructure - Rail bed	Infrastructure - other	Machinery and Equipment	Vehicles	Other	Assets under Construction	2017 Total
Cost										
Balance beginning of the year	$ 223,244	273,237	7,548,503	18,335,000	41,711,205	1,397,472	127,914	341,297	3,047,805	$ 73,005,677
Additions	-	-	90,099	-	2,291,034	-	-	204,489	-	2,585,622
Disposals/transfers	-	-	-	-	-	-	-	-	(1,336,441)	(1,336,441)
Balance end of year	223,244	273,237	7,638,602	18,335,000	44,002,239	1,397,472	127,914	545,786	1,711,364	74,254,858
Accumulated amortization										
Balance beginning of the year	-	(173,562)	(4,581,815)	(5,072,683)	(21,742,878)	(476,315)	(45,034)	(158,689)	-	(32,250,776)
Disposals/transfers	-	-	-	-	-	-	-	-	-	-
Amortization expense	-	(28,261)	(211,557)	(733,400)	(1,518,999)	(65,076)	(24,575)	(38,438)	-	(2,620,306)
Balance end of year	-	(201,823)	(4,793,172)	(5,806,083)	(23,261,877)	(541,391)	(69,609)	(197,127)	-	(34,871,082)
Net book value, end of year	$ 223,244	71,414	2,845,430	12,528,917	20,740,362	856,081	58,305	348,659	1,711,364	$ 39,383,776
Net book value, beginning of year	$ 223,244	99,675	2,966,688	13,262,317	19,968,327	921,157	82,880	182,608	3,047,805	$ 40,754,901

Assets under construction:

Assets under construction having a value of $1,711,364 (2016 - $3,047,805) have not been amortized. Amortization of these assets will commence when the asset is put into service.

Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31 2017

8. Tangible capital assets (continued):

	Land	Landfill and Land Improvements	Buildings and Building Improvements	Infrastructure - Rail bed	Infrastructure - other	Machinery and Equipment	Vehicles	Other	Assets under Construction	2016 Total
Cost										
Balance beginning of the year	$ 223,244	364,754	7,548,503	18,335,000	42,076,401	1,408,415	162,758	294,046	563,433	$ 70,976,554
Additions	-	883	-	-	603,351	53,263	-	52,844	2,484,372	3,194,713
Disposals/transfers	-	(92,400)	-	-	(968,547)	(64,206)	(34,844)	(5,593)	-	(1,165,590)
Balance end of year	223,244	273,237	7,548,503	18,335,000	41,711,205	1,397,472	127,914	341,297	3,047,805	73,005,677
Accumulated amortization										
Balance beginning of the year	-	(220,073)	(4,373,061)	(4,339,283)	(21,220,605)	(478,108)	(50,949)	(147,212)	-	(30,829,291)
Disposals/transfers	-	83,063	-	-	968,547	64,206	34,844	14,930	-	1,165,590
Amortization expense	-	(36,552)	(208,554)	(733,400)	(1,490,820)	(62,413)	(28,929)	(26,407)	-	(2,587,075)
Balance end of year	-	(173,562)	(4,581,615)	(5,072,683)	(21,742,878)	(476,315)	(45,034)	(158,689)	-	(32,250,776)
Net book value, end of year	$ 223,244	99,675	2,966,888	13,262,317	19,968,327	921,157	82,880	182,608	3,047,805	$ 40,754,901
Net book value, beginning of year	$ 223,244	144,681	3,175,442	13,995,717	20,855,796	930,307	111,809	146,834	563,433	$ 40,147,263

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2017

9. Tax revenues:

Property tax billings are prepared by the Municipality based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"), an agency of the Ontario government. All assessed property values in the Municipality were reviewed and new values established based on a common valuation date which was used by the Municipality in computing the property tax bills for 2017.

	2017	2016
Residential and farm taxation	$ 3,436,327	$ 3,145,037
Commercial and industrial taxation	1,247,545	1,439,872
Taxation from other governments	245,773	277,191
	4,929,645	4,862,100
Less: Amount levied and remitted to school boards	(517,464)	(507,449)
Net taxation	$ 4,412,181	$ 4,354,651

During 2017, the Municipality collected and transferred property taxes totaling $517,464 (2016 - $507,449) on behalf of area school boards.

10. Contributions to unconsolidated joint boards:

The following contributions were made by the Municipality to these unconsolidated boards:

	2017	2016
Algoma District Services Administration Board	$ 1,494,278	$ 1,469,463
Algoma Health Unit	97,600	95,220
	$ 1,591,878	$ 1,564,683

11. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2017	2016
Surplus:		
Invested in tangible capital assets	$ 39,383,776	$ 40,754,901
For general reduction of taxation or user charges and local boards	29,553	19,429
Other	(111,803)	(132,268)
Amounts to be recovered:		
Net long-term obligations	(4,526,124)	(4,713,674)
Landfill closure and post closure liability	(1,373,945)	(1,293,610)
Employee future benefit obligations	(1,530,246)	(1,511,718)
Total surplus	31,871,211	33,123,060
Reserves and reserve funds set aside for specific purpose by Council:		
Working capital	250,969	250,969
Acquisition of tangible capital assets	393,983	268,746
Sick leave	33,335	32,999
Water and sewer	443,280	399,230
Other programs	4,885,575	4,048,222
Total reserves and reserve funds	6,007,142	5,000,166
	$ 37,878,353	$ 38,123,226

12. Pension agreements:

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of all permanent, full-time members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2017 was $205,841 (2016 - $210,040) and is included as an expense on the consolidated statement of operations and accumulated surplus.

13. Commitments:

The Municipality has entered into various contracts for services as well as long-term lease agreements for office equipment and tank leases which extend to 2022. The minimum annual payments under the terms of these leases are as follows:

2018	$ 1,172,837
2019	90,225
2020	31,765
2021	18,807
2022	11,118

The Municipality has entered into long-term agreements for license fees and roadway access with Algoma Central Railway which extend indefinitely. The minimum annual payments under the terms of these arrangements is $2,100.

14. Budget figures:

The operating budget approved by Council for 2017 was prepared for the purpose of establishing the estimated revenues and expenses for fiscal 2017. The budget established does not include a budget for the amortization of tangible capital assets and includes allocations from reserves.

The budget figures presented in the statement of operations and accumulated surplus and the statement of change in net financial assets (debt) have been restated to be comparable with the Canadian public sector accounting standards. A reconciliation of the Council approved budget and the budget presented in these financial statements is presented below:

Adopted budget:	
Budgeted annual surplus for the year	$ –
Adjustments to adopted budget:	
Principal payments on long-term debt	189,664
Acquisition of tangible capital assets	1,861,935
Amortization of tangible capital assets	(2,620,306)
Net transfers to/from reserves and other	287,606
Restated budgeted deficit	$ (281,101)

15. Comparative information:

The consolidated financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year excess of revenue over expenses.

16. Segmented information:

The Municipality of Wawa is a diversified municipal government institution that provides a wide range of services to its citizens. Municipality services are provided by departments and certain departments have been separately disclosed in the segmented information, along with the services they provide. These departments are

General Government

General Government is comprised of Municipal Council, the Chief Administrators' Office (CAO), Clerks Department, Legal Department, Human Resources Department, Information Technology Services and the Finance Department. Each of these departments provides program support to various other areas. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard assets and to properly report financial activities. In addition, this department includes the governance activities of Council.

Protection Services

Protection to persons and property is comprised of police, fire/emergency, by-law enforcement and building inspections departments. The mandate of the police department is to ensure the safety of the lives and property of citizens, preserve peace and good order; prevent crimes from occurring, detect offenders, and enforce law. The fire/emergency department is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention, detection, or extinguishment of fires. The by-law enforcement and building inspection department ensures properties are in compliance with applicable legislation, by-laws, building standards and construction codes.

Transportation Services

The transportation department is responsible for the delivery of Municipal public works services related to the planning, development, and maintenance of roadway systems, winter control and street lighting. Transportation department is responsible for the operation of small aircraft airport and fueling depot in Wawa.

Environmental Services

In addition to the management of Waterworks and Sanitary Systems, the environmental department is responsible for waste disposal and recycling facilities. This section is responsible for providing clean, portable water meeting all regulatory requirements and responsible for repairing breaks and leaks in the water and sewer system

Health and Social Services

This section consists of Ambulance services, Social Services including Housing Services, Childcare, Assistance to aged persons, Cemetery Services as well as the City's contributions to the Health Unit.

16. Segmented information (continued):

Recreation and Cultural Services

This section provides public services that contribute to neighborhood development and sustainability through the provision of recreation and leisure services such as fitness and other programs and provides management of arenas and leisure facilities. This section also contributes to the information needs of the Municipality's citizens through the provision of the library and cultural services and by preserving local history and managing archived data.

Engineering and Planning

The goal of this section is to offer coordinated development services in order to maximize economic development opportunities. The Planning and Development ensures that the Municipality of Wawa is planned and developed in accordance with the Ontario Planning Act, Provincial policies and good planning principles so that City is an enjoyable and beautiful community to live, work and play. This section also provides leadership in matters relating to landscape restoration, ecosystem health, biological integrity, energy conservation, air and lake water quality.

For each reported segment, revenues and expenses include both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore certain allocation methodologies are employed in the preparation of segmented financial information.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2017

16. Segmented disclosure (continued):

								2017
	General government	Protection services	Transportation services	Environmental services	Health and social services	Recreation and cultural services	Planning and development	Total
Revenue								
Taxation	$ 591,232	644,178	1,208,937	648,591	538,286	692,712	88,245	$ 4,412,181
Government grants	2,475,901	1,596,823	38,232	275,627	1,356,058	230,304	22,888	5,995,833
Fees and user charges	58,548	68,876	340,382	1,582,139	-	433,263	42,631	2,525,839
Interest income and other	126,990	163,556	179,165	125,788	85,885	232,283	12,392	926,059
	3,252,671	2,473,433	1,766,716	2,632,145	1,980,229	1,588,562	166,156	13,859,912
Expenses								
Salaries, wages and employee benefits	1,053,217	331,118	1,023,515	395,559	15,426	719,662	-	3,538,497
Materials, supplies and contracted services	846,239	2,103,895	533,781	1,091,204	1,627,113	1,533,758	209,992	7,945,982
Amortization of tangible capital assets	77,525	22,603	1,344,612	920,523	1,089	251,242	2,712	2,620,306
	1,976,981	2,457,616	2,901,908	2,407,286	1,643,628	2,504,662	212,704	14,104,785
Other income (expense)								
Donation revenue	4,237,796	-	-	-	-	-	-	4,237,796
Tax write-off on MPAC settlement	(4,237,796)	-	-	-	-	-	-	(4,237,796)
	-	-	-	-	-	-	-	-
Annual surplus (deficit)	$ 1,275,690	15,817	(1,135,192)	224,859	336,601	(916,100)	(46,548)	$ (244,873)

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2017

16. Segmented disclosure (continued):

	General government	Protection services	Transportation services	Environmental services	Health and social services	Recreation and cultural services	Planning and development	2016 Total
Revenue:								
Taxation	$ 583,523	635,779	1,193,175	640,134	531,267	683,680	87,093	$ 4,354 651
Government grants	2,853,618	777,173	769,801	15,289	1,398,574	29,450	5,326	5,849 231
Fees and user charges	46,494	60,181	336,319	1,529,581	-	428,245	10,921	2,411 741
Interest income and other	210,987	181,841	821,430	168,617	125,044	291,217	14,561	1,813,697
	3,694,622	1,654,974	3,120,725	2,353,621	2,054,885	1,432,592	117,901	14,429 320
Expenses:								
Salaries, wages and employee benefits	1,153,176	262,295	1,088,304	280,324	15,502	719,394	-	3,518 995
Materials, supplies and contracted services	867,517	1,578,098	744 084	1 049 465	1,605,310	1,257,410	179,094	7,280,978
Amortization of tangible capital assets	73,203	22,603	1,337,632	900,414	-	250,294	2,929	2,587,075
	2,093,896	1,862,996	3 170,020	2,230,203	1,620,812	2,227,098	182,023	13,387,048
Annual surplus (deficit)	$ 1,600,726	(208,022)	(49,295)	123,418	434,073	(794,506)	(64,122)	$ 1,042,272

Consolidated Financial Statements of

THE CORPORATION OF THE MUNICIPALITY OF WAWA

And Independent Auditors' Report thereon

Year ended December 31, 2018

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Financial Statements

Year ended December 31, 2018

Page

Management's Responsibility for the Consolidated Financial Statements 1

Independent Auditors' Report 2

Consolidated Statement of Financial Position 5

Consolidated Statement of Operations and Accumulated Surplus 6

Consolidated Statement of Changes in Net Debt. 7

Consolidated Statement of Cash Flows 8

Notes to Consolidated Financial Statements ..... 9 - 25

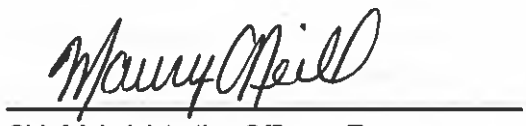
Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of The Municipality of Wawa (the "Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of the consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in 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.

The finance committee meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Municipality. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.



Chief Administrative Officer – Treasurer

KPMG LLP
111 Elgin Street, Suite 200
Sault Ste. Marie ON P6A 6L6
Canada
Telephone (705) 949-5811
Fax (705) 949-0911

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of The Municipality of Wawa

Opinion

We have audited the consolidated financial statements of The Corporation of The City of The Municipality of Wawa (the Municipality), which comprise

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2018 and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated 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 ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Municipality 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.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

KPMG

Emphasis of Matter – Restatement of Financial Statements

We draw attention to Note 15 to the consolidated financial statements which describes i) that the consolidated financial statements that we originally reported on September 4, 2018 have been amended, and ii) the matter that gives rise to the amendment of the consolidated financial statements.

Our opinion is not modified in respect of this matter.

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 Municipality'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 Municipality or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Municipality'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 Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Municipality 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
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste Marie, Canada
August 28, 2019

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017 (restated) (note 15)
Financial assets		
Cash and cash equivalents	$ -	$ 136,696
Investments	7,545,298	4,906,977
Taxes receivable	693,799	1,131,454
Accounts receivable	598,974	1,087,333
Inventory for resale	91,745	79,498
Loans receivable (note 2)	1,038,759	520,368
	9,968,575	7,862,326
Financial liabilities		
Bank indebtedness	93,484	-
Accounts payable and accrued liabilities	1,680,298	871,964
Deferred revenue - obligatory reserves (note 3)	1,030,322	1,147,407
Deferred revenue - other (note 3)	425,101	120,782
Employee future benefit obligations (note 5)	1,680,286	1,530,246
Landfill closure and post closure liability (note 6)	1,364,596	1,373,945
Long-term obligations (note 7)	4,334,196	4,526,124
	10,608,283	9,570,468
Net debt	(639,708)	(1,708,142)
Non-financial assets		
Tangible capital assets (note 8)	27,721,763	26,432,576
Prepaid expenses	148,382	117,741
Inventories	53,998	84,978
	27,924,143	26,635,295
Commitments (note 13)		
Accumulated surplus (note 11)	$ 27,284,435	$ 24,927,153

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2018, with comparative information for 2017

	Budget (note 14)	2018	2017 (restated) (note 15)
Revenue:			
Net taxation (note 9)	$ 4,545,833	$ 4,561,811	$ 4,412,181
Government transfers and grants	6,286,885	6,654,048	5,995,833
Fees and user charges	2,474,973	2,694,851	2,525,839
Investment and interest income	45,750	129,925	51,882
Other	693,771	459,969	874,177
Total revenue	14,047,212	14,500,604	13,859,912
Expenses:			
General government	2,210,829	2,030,617	1,976,981
Protection services	1,314,187	1,384,056	2,457,616
Transportation services	2,589,360	2,654,931	2,168,508
Environmental services	2,398,804	2,434,802	2,407,286
Health services	117,950	135,183	126,622
Social and family services	1,553,319	1,536,763	1,517,006
Recreation and cultural services	2,392,330	2,317,673	2,504,662
Planning and development	201,040	181,680	212,704
Total expenses	12,777,819	12,675,705	13,371,385
Annual surplus before undernoted	1,269,393	1,824,899	488,527
Other income (expense):			
Reversal of provision on mortgage receivable	-	532,383	-
Donation revenue	-	-	4,237,796
Tax write-off on MPAC settlement	-	-	(4,237,796)
Annual surplus	1,269,393	2,357,282	488,527
Accumulated surplus, beginning of year			
As previously reported	-	24,927,153	38,123,226
Adjustment to correct value of tangible capital asset (note 15)	-	-	(13,684,600)
As restated	24,927,153	24,927,153	24,438,626
Accumulated surplus, end of year	$ 26,196,546	$ 27,284,435	$ 24,927,153

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Statement of Change in Net Debt

Year ended December 31, 2018, with comparative information for 2017

	Budget (note 14)	2018	2017 (restated) (note 15)
Annual surplus	$ 1,269,393	$ 2,357,282	$ 488,527
Acquisition of tangible capital assets	(2,674,185)	(3,162,343)	(1,249,181)
Amortization of tangible capital assets	1,857,086	1,857,086	1,886,906
Loss on disposal of tangible capital assets	-	16,070	-
	452,294	1,068,095	1,126,252
Change in prepaid supplies	-	(30,641)	(37,138)
Change in inventories of supplies	-	30,980	(12,138)
Change in net financial assets	452,294	1,068,434	1,076,976
Net debt, beginning of year	(1,708,142)	(1,708,142)	(2,785,118)
Net debt, end of year	$ (1,255,848)	$ (639,708)	$ (1,708,142)

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Statement in Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017 (restated) (note 15)
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 2,357,282	$ 488,527
Items not involving cash:		
Amortization of tangible capital assets	1,857,086	1,886,906
Loss on disposal of tangible capital assets	16,070	-
Change in future employee benefit obligations	150,040	18,528
Change in landfill closure and post-closure liability	(9,349)	80,335
	4,371,129	2,474,296
Change in non-cash assets and liabilities:		
Taxes receivable	437,655	576,802
Accounts receivable	488,359	448,059
Loans receivable	(518,391)	(387,109)
Other	-	5,875
Prepaid expenses	(30,641)	(37,138)
Inventories	18,733	(11,383)
Accounts payable and accrued liabilities	808,334	(204,348)
Deferred revenue - obligatory reserves	(117,085)	192,824
Deferred revenue - other	304,319	112,486
	5,762,412	3,170,364
Capital activities:		
Cash used to acquire tangible capital assets	(3,162,343)	(1,249,181)
Financing activities:		
Increase in investments	(2,638,321)	(1,718,584)
Repayment of long-term liabilities	(191,928)	(187,550)
	(2,830,249)	(1,906,134)
Net change in cash	(230,180)	15,049
Cash and cash equivalents, beginning of year	136,696	121,647
(Bank indebtedness) cash and cash equivalents, end of year	$ (93,484)	$ 136,696

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2018

The Municipality of Wawa (the "Municipality") is a municipality in the Province of Ontario, Canada. The Municipality provides municipal services such as public works, planning, parks and recreation, library and other general government operations in accordance with the provisions of provincial statues such as the Municipal Act, Municipal Affairs Act and related legislation.

1. Significant accounting policies:

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

(a) Basis of consolidation:

(i) Consolidated entities:

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and which are owned or controlled by the Municipality.

These entities and organizations include:

Wawa Public Library Board

Board of Management for the Wawa Business Improvement Area

Interdepartmental and inter-organizational transactions and balances between these entities and organizations have been eliminated.

(ii) Related entities:

The consolidated financial statements do not reflect the assets, liabilities, sources of financing, expenses and the activities of the following Boards and enterprises which are not under the control of Council.

Algoma Health Unit
Algoma District Social Services Administration Board

(iii) Trust funds:

Trust funds and their related operations administered by the Municipality are not included in the consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2018

1. Significant accounting policies (continued):

(b) Basis of accounting:

The Municipality follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Revenue recognition

The Municipality prepared tax billings based on assessment rolls issued by the Municipal Property Assessment Corporation, in accordance with rates established and approved annually by Council and the Province of Ontario. Taxation revenue is recognized in the period in which the taxes are levied.

Government transfers are recognized in the period in which the events giving rise to the transfer occurred, provided that the transfer is authorized and the amount can be reasonably estimated. Government grants are recognized when approved to the extent the related expenditures have been incurred and collection can be reasonably assured.

User fees and other revenues are recognized when the services are performed or goods are delivered, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and fees are fixed or determinable. Amounts received for future services are deferred until the service is provided.

(d) Temporary investments:

Temporary investments are recorded at the lower of cost and market value.

(e) Inventories

Inventories held for resale are stated at the lower of cost and net realizable value, while inventories of supplies are stated at lower of cost and replacement value.

(f) Deferred revenue

Deferred revenues represent licenses, permits and other fees which have been collected, but for which the related services or inspections have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

1. Significant accounting policies (continued):

(g) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

i. Tangible capital assets:

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

Asset	Useful Life - Years
Machinery, equipment and computers	3 - 20 years
Library collection	5 years
Land improvements	10 years
Vehicles	5 - 15 years
Buildings and building improvements	20 - 40 years
Infrastructure	25 - 50 years

Assets are amortized in the month following purchase or in-service date. Assets under construction are not amortized until the asset is available for productive use.

The Municipality of Wawa has a capitalization threshold between $5,000 and $75,000 for various categories of tangible capital assets. Individual assets below the threshold are expensed, unless they are pooled, because collectively, they have significant value. The Municipality's threshold for pooled assets is $5,000.

ii. Contributions for tangible capital assets:

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

iii. Leased tangible capital assets:

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2018

1. **Significant accounting policies (continued):**

(g) Non-financial assets (continued):

iv. Works of art and historical treasures:

Works of art and historical treasures are property that has cultural, aesthetic, or historical value that is worth preserving perpetually. Works of art and historical treasures would not be recognized as tangible capital assets in government financial statements because a reasonable estimate of the future benefits associated with such property cannot be determined. Disclosure of the existence of such property is required under PSAB.

Tangible capital assets meeting the aforementioned description for the Municipality of Wawa are:

Wawa Goose Monument	$ 275,000
Drill Rig Monument	50,000
Train Display	5,000

(h) Surplus land

The carrying value of surplus land is based on the purchase and development costs and does not reflect any gain that may arise if the land sells for more than the carrying value.

(i) 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, landfill liability and in performing actuarial valuations of employee future benefits.

In addition, the Municipality's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates

(j) Employee future benefits:

The Municipality accrues its obligations for employee benefit plans. The cost of post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of salary escalation, retirement ages and expected health care costs.

(k) Landfill liability:

The liability for closure of operational sites and post-closure care has been recognized based on estimated future expenses, estimated inflation and the usage of the site's capacity during the year.

2. Promissory notes receivable:

The promissory note receivable is interest free and payable in full on September 29, 2017. Subsequent to year end, the Municipality received full repayment of the promissory notes receivable.

The Municipality entered into a loan agreement with Michipicoten Golf Club Limited related to the purchase of turf equipment. The loan is interest free with repayment based on proceeds of specific programs and no set regular repayment terms.

	2018	2017
Promissory notes receivable	$ 914,000	$ 1,113,547
Loan receivable from Michipicoten Golf Club Limited	124,759	132,259
Less: allowance for possible impairment	–	(725,438)
	$ 1,038,759	$ 520,368

3. Deferred revenue:

The balances in the deferred revenue - obligatory of the Municipality consist of:

	2018	2017
Lot levies	$ 28,209	$ 28,496
Federal Gas Tax	1,002,113	1,118,911
	$ 1,030,322	$ 1,147,407

Continuity of deferred revenue - obligatory is as follows:

	2018	2017
Balance, beginning of year	$ 1,147,407	$ 954,583
Contributions deferred	189,513	184,102
Interest	16,187	8,722
	1,353,107	1,147,407
Contributions used	(322,785)	–
Balance, end of year	$ 1,030,322	$ 1,147,407

3. Deferred revenue (continued):

The balances in the deferred revenue - other of the Municipality consist of:

	2018	2017
Deferred revenue - non-obligatory	$ 417,601	$ 99,282
Prepaid rent	7,500	21,500
	$ 425,101	$ 120,782

Continuity of deferred revenue - other of the Municipality is as follows:

	2018	2017
Balance, beginning of year	$ 120,782	$ 8,296
Contributions deferred	341,352	120,666
Contributions used	(37,033)	(8,180)
Balance, end of year	$ 425,101	$ 120,782

4. Trust funds:

The trust funds administered by the Municipality amounting to $153,627 (2017 - $209,315) are presented in a separate financial statement of trust fund balances and operations. As such balances are held in trust by the Municipality for the benefit of others; they are not presented as part of the Municipality's financial position or financial activities.

5. Employee future benefit obligations:

Employee future benefits are liabilities of the Municipality to its employees and early retirees for the following benefits earned but not taken as at December 31 are as follows:

	2018	2017
Accumulated sick leave benefit plan entitlements	$ 78,930	$ 81,270
Vacation pay	253,792	246,549
Medical and dental plan entitlements	1,347,564	1,202,427
Employee future benefit obligations	$ 1,680,286	$ 1,530,246

A reserve fund in the amount of $201,815 (2017 - $247,877) has been established to fund this liability.

Accumulated sick leave payable

Municipal employees are allowed six days of sick leave per year. If the days are not taken by the end of the year, they can be paid out at 50% of their value or carried forward to be used as additional sick leave in future years. At December 31, 2018, this liability is estimated at $78,930 (2017 - $81,270).

5. Employee future benefit obligations (continued):

Employee health care and life insurance

The Municipality provides extended health care and life insurance benefits to its employees. An independent actuarial study of the post-retirement and post-employment benefits has been undertaken. The valuation of the employee future benefits was completed effective December 31, 2018.

At December 31, 2018, the Municipality's accrued benefit obligation relating to post-retirement and post-employment benefits plan is $1,347,564 (2017 - $1,202,427).

The benefit liability continuity is as follows:

	2018	2017
Accrued benefit liability, January 1	$ 1,202,427	$ 1,152,835
Expense	38,603	37,118
Payments	(41,881)	(33,708)
Interest accrued	48,032	46,182
Actuarial loss	100,383	–
Accrued benefit liability, December 31	$ 1,347,564	$ 1,202,427

	2018	2017
Significant assumptions:		
Discount rate	4.0%	4.0%
Health cost increase	3.5 – 6.1%	3.5% – 8.0%

6. Landfill closure and post-closure liability:

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated life of the landfill site based on usage.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a thirty year period using the best information available to management. Future events may result in significant changes to the estimated total expenditures capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

6. Landfill closure and post-closure liability (continued):

The Municipality operates one open landfill site and it owns and monitors two closed landfill sites. The open site has a remaining capacity of approximately 12,205 metric tons (2017 – 14,962 m^3). At current average fill rates, the site has a remaining operating life of approximately three years and expected closure in June 2021. The change in liability is recorded based on the capacity of the landfill sites used to date. At December 31, 2018, an amount of $1,364,596 (2017 - $1,373,945) with respect to landfill closure and post-closure liability has been accrued and will be funded from future taxation revenue.

A reserve of $131,784 (2017 - $115,747) has been established to contribute to the cost of closing and maintaining the landfill sites.

7. Long-term obligations.

	2018	2017
Ontario Infrastructure and Lands Corporation debenture, payable semi-annual $77,632 with interest at 5.6%, repayable July 2049	$ 2,301,474	$ 2,328,708
Debentures, payable approximately $185,000 annually Including interest ranging from 4.15% to 4.50%, due August 2020	1,720,000	1,825,000
Loan payable CMHC, $30,569 annually including interest at 3.59%, repayable December 2025	186,290	209,345
Ontario Infrastructure and Lands Corporation Debenture payable $18,409 semi-annually with interest at 2.83%, repayable December 2021	105,182	138,317
Ontario Infrastructure and Lands Corporation Debenture payable $2,110 semi-annually with interest at 3.00%, repayable February 2024	21,250	24,754
	$ 4,334,196	$ 4,526,124

Principal due on long-term debt is approximately as follows:

2019	$ 200,351
2020	1,703,923
2021	97,650
2022	64,460
2023	67,462
Thereafter	2,200,350

The annual principal and interest payments required to service the long-term obligations of the Municipality are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

8. Tangible capital assets:

											2018
		Land	Landfill and Land Improvements	Buildings and Building Improvements	Infrastructure - Rail bed	Infrastructure - other	Machinery and Equipment	Vehicles	Other	Assets under Construction	Total
Cost											
Balance, beginning of the year	$	223,244	273,237	7,638,602	250,000	44,002,239	1,397,472	127,914	545,786	1,711,364	$ 56,169,858
Additions		-	-	45,936	-	752,706	177,202	134,287	76,351	1,975,861	3,162,343
Disposals/transfers		-	-	-	-	(50,371)	(57,634)	(17,043)	-	-	(125,048)
Balance, end of year		223,244	273,237	7,684,538	250,000	44,704,574	1,517,040	245,158	622,137	3,687,225	59,207,153
Accumulated amortization											
Balance, beginning of the year		-	(201,823)	(4,793,172)	-	(23,934,160)	(541,391)	(69,609)	(197,127)	-	(29,737,282)
Disposals/transfers		-	-	-	-	37,359	55,712	15,907	-	-	108,978
Amortization expense		-	(28,261)	(213,059)	-	(1,469,103)	(63,061)	(31,431)	(52,171)	-	(1,857,086)
Balance, end of year		-	(230,084)	(5,006,231)	-	(25,365,904)	(548,740)	(85,133)	(249,298)	-	(31,485,390)
Net book value, end of year	$	223,244	43,153	2,678,307	250,000	19,338,670	968,300	160,025	372,839	3,687,225	$ 27,721,763
Net book value, beginning of year	$	223,244	71,414	2,845,430	250,000	20,068,079	856,081	58,305	348,659	1,711,364	$ 26,432,576

Assets under construction:

Assets under construction having a value of $3,687,225 (2017 - $1,711,364) have not been amortized. Amortization of these assets will commence when the asset is put into service.

Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value.

Filed: 2020-08-04, EB-2019-0255, Schedule E, Page 374 of 410

8. Tangible capital assets (continued):

	Land	Landfill and Land Improvements	Buildings and Building Improvements	Infrastructure - Rail bed	Infrastructure - other	Machinery and Equipment	Vehicles	Other	Assets under Construction	2017 (restated) (note 15) Total
Cost										
Balance, beginning of the year	$ 223,244	273,237	7,548,503	250,000	41,711,205	1,397,472	127,914	341,297	3,047,805	$ 54,920,677
Additions	-	-	90,099	-	2,291,034	-	-	204,489	-	2,585,622
Disposals/transfers	-	-	-	-	-	-	-	-	(1,336,441)	(1,336,441)
Balance, end of year	223,244	273,237	7,638,602	250,000	44,002,239	1,397,472	127,914	545,786	1,711,364	56,169,858
Accumulated amortization										
Balance, beginning of the year	-	(173,562)	(4,581,615)	-	(22,415,161)	(476,315)	(45,034)	(158,689)	-	(27,850,376)
Disposals/transfers	-	-	-	-	-	-	-	-	-	-
Amortization expense	-	(28,261)	(211,557)	-	(1,518,999)	(65,076)	(24,575)	(38,438)	-	(1,886,906)
Balance, end of year	-	(201,823)	(4,793,172)	-	(23,934,160)	(541,391)	(69,609)	(197,127)	-	(29,737,282)
Net book value, end of year	$ 223,244	71,414	2,845,430	250,000	20,068,079	856,081	58,305	348,659	1,711,364	$ 26,432,576
Net book value, beginning of year	$ 223,244	43,153	2,723,972	250,000	21,512,397	791,005	33,730	514,710	374,923	$ 26,467,134

Filed: 2020-08-04, EB-2019-0255, Schedule E, Page 375 of 410

9. Tax revenues:

Property tax billings are prepared by the Municipality based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"), an agency of the Ontario government. All assessed property values in the Municipality were reviewed and new values established based on a common valuation date which was used by the Municipality in computing the property tax bills for 2018.

	2018	2017
Residential and farm taxation	$ 3,225,637	$ 3,436,327
Commercial and industrial taxation	1,619,201	1,247,545
Taxation from other governments	232,498	245,773
	5,077,336	4,929,645
Less: Amount levied and remitted to school boards	(515,525)	(517,464)
Net taxation	$ 4,561,811	$ 4,412,181

During 2018, the Municipality collected and transferred property taxes totaling $515,525 (2017 - $517,464) on behalf of area school boards.

10. Contributions to unconsolidated joint boards:

The following contributions were made by the Municipality to these unconsolidated boards:

	2018	2017
Algoma District Services Administration Board	$ 1,515,880	$ 1,494,278
Algoma Health Unit	97,704	97,600
	$ 1,613,584	$ 1,591,878

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2018

11. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2018	2017 (restated) (note 15)
Surplus:		
Invested in tangible capital assets	$ 27,721,763	$ 26,432,576
For general reduction of taxation or user charges and local boards	20,970	29,553
Other	1,137,665	(111,803)
Amounts to be recovered:		
Net long-term obligations	(4,334,196)	(4,526,124)
Landfill closure and post closure liability	(1,364,596)	(1,373,945)
Employee future benefit obligations	(1,680,286)	(1,530,246)
Total surplus	21,501,320	18,920,011
Reserves and reserve funds set aside for specific purpose by Council		
Working capital	250,969	250,969
Acquisition of tangible capital assets	518,983	393,983
Sick leave	33,335	33,335
Water and sewer	489,711	443,280
Other programs	4,490,117	4,885,575
Total reserves and reserve funds	5,783,115	6,007,142
	$ 27,284,435	$ 24,927,153

12. Pension agreements:

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of all permanent, full-time members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement to be received by the employees based on the length of service and rates of pay

The amount contributed to OMERS for 2018 was $221,829 (2017 - $205,841) and is included as an expense on the consolidated statement of operations and accumulated surplus.

13. Commitments:

The Municipality has entered into various contracts for services as well as long-term lease agreements for office equipment and services which extend to 2022. The minimum annual payments under the terms of these leases are as follows:

2019	$ 1,221,089
2020	31,765
2021	18,807
2022	11,118

The Municipality has entered into long-term agreements for license fees and roadway access with Algoma Central Railway which extend indefinitely. The minimum annual payments under the terms of these arrangements is $2,100.

14. Budget figures:

The operating budget approved by Council for 2018 was prepared for the purpose of establishing the estimated revenues and expenses for fiscal 2018. The budget established does not include a budget for the amortization of tangible capital assets and includes allocations from reserves.

The budget figures presented in the statement of operations and accumulated surplus and the statement of change in net financial assets (debt) have been restated to be comparable with the Canadian public sector accounting standards. A reconciliation of the Council approved budget and the budget presented in these financial statements is presented below:

Adopted budget:	
Budgeted annual surplus for the year	$ –
Adjustments to adopted budget:	
Principal payments on long-term debt	191,927
Acquisition of tangible capital assets	2,674,185
Amortization of tangible capital assets	(1,857,086)
Net transfers to/from reserves and other	260,367
Restated budgeted surplus	$ 1,269,393

15. Correction of valuation of tangible capital asset:

Subsequent to year end, the Municipality accepted an offer to purchase the rail bed. The sale is expected to close in 2019. As a result the future economic benefit associated with the tangible capital asset has been determined based on the accepted offer price. The difference between the offer price and the carrying value has been retroactively restated as a correction of an error in the prior year's carrying value at January 1, 2017. As a result, the accumulated surplus at January 1, 2017 was decreased by $13,684,600, tangible capital assets – rail bed was decreased by $12,951,200 at January 1, 2017, amortization and transportation services expenses were decreased by $733,400 for 2017 and surplus for the 2017 year was increased by $733,400.

16. Segmented information:

The Municipality of Wawa is a diversified municipal government institution that provides a wide range of services to its citizens. Municipality services are provided by departments and certain departments have been separately disclosed in the segmented information, along with the services they provide. These departments are:

General Government

General Government is comprised of Municipal Council, the Chief Administrators' Office (CAO), Clerks Department, Legal Department, Human Resources Department, Information Technology Services and the Finance Department. Each of these departments provides program support to various other areas. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard assets and to properly report financial activities. In addition, this department includes the governance activities of Council.

Protection Services

Protection to persons and property is comprised of police, fire/emergency, by-law enforcement and building inspections departments. The mandate of the police department is to ensure the safety of the lives and property of citizens, preserve peace and good order, prevent crimes from occurring, detect offenders; and enforce law. The fire/emergency department is responsible to provide fire suppression service; fire prevention programs, training and education related to prevention, detection, or extinguishment of fires. The by-law enforcement and building inspection department ensures properties are in compliance with applicable legislation, by-laws, building standards and construction codes.

Transportation Services

The transportation department is responsible for the delivery of Municipal public works services related to the planning, development, and maintenance of roadway systems, winter control and street lighting. Transportation department is responsible for the operation of small aircraft airport and fueling depot in Wawa

Environmental Services

In addition to the management of Waterworks and Sanitary Systems, the environmental department is responsible for waste disposal and recycling facilities. This section is responsible for providing clean, portable water meeting all regulatory requirements and responsible for repairing breaks and leaks in the water and sewer system.

Health and Social Services

This section consists of Ambulance services, Social Services including Housing Services Childcare, Assistance to aged persons, Cemetery Services as well as the City's contributions to the Health Unit.

16. Segmented information (continued):

Recreation and Cultural Services

This section provides public services that contribute to neighborhood development and sustainability through the provision of recreation and leisure services such as fitness and other programs and provides management of arenas and leisure facilities. This section also contributes to the information needs of the Municipality's citizens through the provision of the library and cultural services and by preserving local history and managing archived data.

Engineering and Planning

The goal of this section is to offer coordinated development services in order to maximize economic development opportunities. The Planning and Development ensures that the Municipality of Wawa is planned and developed in accordance with the Ontario Planning Act, Provincial policies and good planning principles so that City is an enjoyable and beautiful community to live, work and play. This section also provides leadership in matters relating to landscape restoration, ecosystem health, biological integrity, energy conservation, air and lake water quality.

For each reported segment, revenues and expenses include both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore certain allocation methodologies are employed in the preparation of segmented financial information.

16. Segmented disclosure (continued):

	2018							
	General government	Protection services	Transportation services	Environmental services	Health and social services	Recreation and cultural services	Planning and development	Total
Revenue:								
Taxation	$ 611,282	666,025	1,249,937	670,586	556,541	716,204	91,236	$ 4,561,811
Government grants	2,668,331	678,980	1,872,743	93,347	1,292,316	48,331	-	6,654,048
Fees and user charges	60,436	55,149	533,152	1,614,708	-	414,896	16,510	2,694,851
Interest income and other	79,273	71,443	129,872	77,591	53,281	171,559	6,875	589,894
	3,419,322	1,471,597	3,785,704	2,456,232	1,902,138	1,350,990	114,621	14,500,604
Expenses:								
Salaries, wages and employee benefits	1,156,923	227,519	1,218,241	410,470	19,991	767,216	-	3,800,360
Materials, supplies and contracted services	794,836	1,133,934	967,197	1,017,433	1,645,419	1,281,245	178,195	7,018,259
Amortization of tangible capital assets	78,858	22,603	469,493	1,006,899	6,536	269,212	3,485	1,857,086
	2,030,617	1,384,056	2,654,931	2,434,802	1,671,946	2,317,673	181,680	12,675,705
Other income (expense):								
Reversal of provision on mortgage receivable	532,383	-	-	-	-	-	-	532,383
Annual surplus (deficit)	$ 1,921,088	87,541	1,130,773	21,430	230,192	(966,683)	(67,059)	$ 2,357,282

Filed: 2020-08-04, EB-2019-0255, Schedule E, Page 381 of 410

16. Segmented disclosure (continued):

	General government	Protection services	Transportation services	Environmental services	Health and social services	Recreation and cultural services	Planning and development	2017 (restated) (note 15) Total
Revenue:								
Taxation	$ 591,232	644,178	1,208,937	648,591	538,286	692,712	88,245	$ 4,412,181
Government grants	2,475,901	1,596,823	38,232	275,627	1,356,058	230,304	22,888	5,995,833
Fees and user charges	58,548	68,876	340,382	1,582,139	-	433,263	42,631	2,525,839
Interest income and other	126,990	163,556	179,165	125,788	85,885	232,283	12,392	926,059
	3,252,671	2,473,433	1,766,716	2,632,145	1,980,229	1,588,562	166,156	13,859,912
Expenses:								
Salaries, wages and employee benefits	1,053,217	331,118	1,023,515	395,559	15,426	719,662	-	3,538,497
Materials, supplies and contracted services	846,239	2,103,895	533,781	1,091,204	1,627,113	1,533,758	209,992	7,945,982
Amortization of tangible capital assets	77,525	22,603	611,212	920,523	1,089	251,242	2,712	1,886,906
	1,976,981	2,457,616	2,168,508	2,407,286	1,643,628	2,504,662	212,704	13,371,385
Other income (expense):								
Donation revenue	4,237,796	-	-	-	-	-	-	4,237,796
Tax write-off on MPAC settlement	(4,237,796)	-	-	-	-	-	-	(4,237,796)
	-	-	-	-	-	-	-	-
Annual surplus (deficit)	$ 1,275,690	15 817	(401,792)	224,859	336,601	(916,100)	(46,548)	$ 488,527

Filed: 2020-08-04, EB-2019-0255, Schedule E, Page 382 of 410

Consolidated Financial Statements of

THE CORPORATION OF THE MUNICIPALITY OF WAWA

And Independent Auditors' Report thereon

Year ended December 31, 2019

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Financial Statements

Year ended December 31, 2019

Page

Management's Responsibility for the Consolidated Financial Statements 1

Independent Auditors' Report 2

Consolidated Statement of Financial Position 5

Consolidated Statement of Operations and Accumulated Surplus 6

Consolidated Statement of Changes in Net Debt. 7

Consolidated Statement of Cash Flows 8

Notes to Consolidated Financial Statements ..... 9 - 26

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of The Municipality of Wawa (the "Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of the consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in 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.

The finance committee meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Municipality. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

_____

Chief Administrative Officer – Treasurer

KPMG LLP
111 Elgin Street, Suite 200
Sault Ste. Marie ON P6A 6L6
Canada
Telephone (705) 949-5811
Fax (705) 949-0911

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of The Municipality of Wawa

Opinion

We have audited the consolidated financial statements of The Corporation of The Municipality of Wawa (the Municipality), which comprise:

- the consolidated statement of financial position as at December 31, 2019
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net financial assets (debt) for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2019 and its consolidated results of operations, its consolidated changes in net financial assets (debt) and its consolidated 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 ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Municipality 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.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

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 Municipality'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 Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality’s financial reporting process.

Auditors' 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 auditors' 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 the 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 Municipality'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 Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Municipality 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
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada
June 9, 2020

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Financial assets		
Cash and cash equivalents	4,094,651	$ 1,691,723
Investments	5,889,751	5,760,091
Taxes receivable	932,132	693,799
Accounts receivable	1,301,203	598,974
Inventory for resale	61,017	91,745
Loans receivable (note 2)	111,192	1,038,759
Investment in government business enterprise (note 3)	29,198	-
	12,419,144	9,875,091
Financial liabilities		
Accounts payable and accrued liabilities	1,408,715	1,680,298
Deferred revenue - obligatory reserves (note 4)	982,082	1,030,322
Deferred revenue - other (note 4)	1,782,636	425,101
Employee future benefit obligations (note 6)	1,908,021	1,680,286
Landfill closure and post closure liability (note 7)	1,506,804	1,364,596
Long-term obligations (note 8)	4,133,845	4,334,196
	11,722,103	10,514,799
Net financial assets (debt)	697,041	(639,708)
Non-financial assets		
Tangible capital assets (note 9)	28,570,569	27,721,763
Prepaid expenses	92,034	148,382
Inventories	80,473	53,998
	28,743,076	27,924,143
Commitments (note 14)		
Subsequent event and contingencies (note 17)		
Accumulated surplus (note 12)	$ 29,440,117	$ 27,284,435

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2019, with comparative information for 2018

	Budget (note 15)	2019	2018
Revenue:			
Net taxation (note 10)	$ 4,767,224	$ 4,798,434	$ 4,561,811
Government transfers and grants	8,626,611	6,783,144	6,654,048
Fees and user charges	2,530,573	2,655,130	2,694,851
Investment and interest income	106,430	166,607	129,925
Other	754,748	633,766	459,969
Total revenue	16,785,586	15,037,081	14,500,604
Expenses:			
General government	2,332,186	2,089,292	2,030,617
Protection services	1,294,472	1,218,676	1,384,056
Transportation services	2,671,351	2,755,986	2,654,931
Environmental services	2,550,850	2,637,974	2,434,802
Health services	133,459	135,612	135,183
Social and family services	1,558,864	1,550,721	1,536,763
Recreation and cultural services	2,419,248	2,319,868	2,317,673
Planning and development	184,776	173,270	181,680
Total expenses	13,145,206	12,881,399	12,675,705
Annual surplus before undernoted	3,640,380	2,155,682	1,824,899
Other income:			
Reversal of provision on mortgage receivable	-	-	532,383
Annual surplus	3,640,380	2,155,682	2,357,282
Accumulated surplus, beginning of year	27,284,435	27,284,435	24,927,153
Accumulated surplus, end of year	$ 30,924,815	$ 29,440,117	$ 27,284,435

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Statement of Change in Net Financial Assets (Debt)

Year ended December 31, 2019, with comparative information for 2018

	Budget (note 15)	2019	2018
Annual surplus	$ 3,640,380	$ 2,155,682	$ 2,357,282
Acquisition of tangible capital assets	(4,875,086)	(2,816,336)	(3,162,343)
Amortization of tangible capital assets	1,958,268	1,958,268	1,857,086
Loss on disposal of tangible capital assets	-	9,262	16,070
	723,562	1,306,876	1,068,095
Change in prepaid supplies	-	56,348	(30,641)
Change in inventories of supplies	-	(26,475)	30,980
Change in net financial assets	723,562	1,336,749	1,068,434
Net debt, beginning of year	(639,708)	(639,708)	(1,708,142)
Net financial assets (debt), end of year	$ 83,854	$ 697,041	$ (639,708)

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Statement in Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 2,155,682	$ 2,357,282
Items not involving cash:		
Amortization of tangible capital assets	1,958,268	1,857,086
Loss on disposal of tangible capital assets	9,262	16,070
Change in future employee benefit obligations	227,735	150,040
Change in landfill closure and post-closure liability	142,208	(9,349)
	4,493,155	4,371,129
Change in non-cash assets and liabilities:		
Taxes receivable	(238,333)	437,655
Accounts receivable	(702,229)	488,359
Loans receivable	927,567	(518,391)
Prepaid expenses	56,348	(30,641)
Inventories	4,253	18,733
Accounts payable and accrued liabilities	(271,583)	808,334
Deferred revenue - obligatory reserves	(48,240)	(117,085)
Deferred revenue - other	1,357,535	304,319
	5,578,473	5,762,412
Capital activities:		
Cash used to acquire tangible capital assets	(2,816,336)	(3,162,343)
Investing activities:		
Investment in government business enterprise	(29,198)	-
Financing activities:		
Increase in investments	(129,660)	(853,114)
Repayment of long-term liabilities	(200,351)	(191,928)
	(330,011)	(1,045,042)
Net change in cash	2,402,928	1,555,027
Cash and cash equivalents, beginning of year	1,691,723	136,696
Cash and cash equivalents, end of year	$ 4,094,651	$ 1,691,723

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

The Municipality of Wawa (the "Municipality") is a municipality in the Province of Ontario, Canada. The Municipality provides municipal services such as public works, planning, parks and recreation, library and other general government operations in accordance with the provisions of provincial statues such as the Municipal Act, Municipal Affairs Act and related legislation.

1. Significant accounting policies:

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

(a) Basis of consolidation:

(i) Consolidated entities:

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and which are owned or controlled by the Municipality.

These entities and organizations include:

Wawa Public Library Board

Board of Management for the Wawa Business Improvement Area

Interdepartmental and inter-organizational transactions and balances between these entities and organizations have been eliminated.

(ii) Investment in Government Business Enterprise:

The Municipality's investment in a Government Business Enterprise (GBE), is accounted for by the modified equity method. Under the modified equity method, the business enterprise's accounting principles are not adjusted to conform with those of the Municipality and inter-organization transactions and balances are not eliminated. The Municipality recognizes its equity interest in the annual income or loss of the GBE in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Any dividends that the Municipality may receive from the GBE will be reflected as reductions in the investment asset account.

(iii) Related entities:

The consolidated financial statements do not reflect the assets, liabilities, sources of financing, expenses and the activities of the following Boards and enterprises which are not under the control of Council.

Algoma Health Unit
Algoma District Social Services Administration Board

(iv) Trust funds:

Trust funds and their related operations administered by the Municipality are not included in the consolidated financial statements.

1. Significant accounting policies (continued):

(b) Basis of accounting:

The Municipality follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Revenue recognition:

The Municipality prepared tax billings based on assessment rolls issued by the Municipal Property Assessment Corporation, in accordance with rates established and approved annually by Council and the Province of Ontario. Taxation revenue is recognized in the period in which the taxes are levied.

Government transfers are recognized in the period in which the events giving rise to the transfer occurred, provided that the transfer is authorized and the amount can be reasonably estimated. Government grants are recognized when approved to the extent the related expenditures have been incurred and collection can be reasonably assured.

User fees and other revenues are recognized when the services are performed or goods are delivered, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and fees are fixed or determinable. Amounts received for future services are deferred until the service is provided.

(d) Temporary investments:

Temporary investments are recorded at the lower of cost and market value.

(e) Inventories:

Inventories held for resale are stated at the lower of cost and net realizable value, while inventories of supplies are stated at lower of cost and replacement value.

(f) Deferred revenue:

Deferred revenues represent licenses, permits and other fees which have been collected, but for which the related services or inspections have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

1. Significant accounting policies (continued):

(g) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

i. Tangible capital assets:

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

Asset	Useful Life - Years
Machinery, equipment and computers	3 - 20 years
Library collection	5 years
Land improvements	10 years
Vehicles	5 - 15 years
Buildings and building improvements	20 - 40 years
Infrastructure	25 - 50 years

Assets are amortized in the month following purchase or in-service date. Assets under construction are not amortized until the asset is available for productive use.

The Municipality of Wawa has a capitalization threshold between $5,000 and $75,000 for various categories of tangible capital assets. Individual assets below the threshold are expensed, unless they are pooled, because collectively, they have significant value. The Municipality's threshold for pooled assets is $5,000.

ii. Contributions for tangible capital assets:

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

iii. Leased tangible capital assets:

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

1. Significant accounting policies (continued):

(g) Non-financial assets (continued):

iv. Works of art and historical treasures:

Works of art and historical treasures are property that has cultural, aesthetic, or historical value that is worth preserving perpetually. Works of art and historical treasures would not be recognized as tangible capital assets in government financial statements because a reasonable estimate of the future benefits associated with such property cannot be determined. Disclosure of the existence of such property is required under PSAB.

Tangible capital assets meeting the aforementioned description for the Municipality of Wawa are:

Wawa Goose Monument	$ 275,000
Drill Rig Monument	50,000
Train Display	5,000

(h) Surplus land:

The carrying value of surplus land is based on the purchase and development costs and does not reflect any gain that may arise if the land sells for more than the carrying value.

(i) 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, landfill liability and in performing actuarial valuations of employee future benefits.

In addition, the Municipality's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

(j) Employee future benefits:

The Municipality accrues its obligations for employee benefit plans. The cost of post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of salary escalation, retirement ages and expected health care costs.

(k) Landfill liability:

The liability for closure of operational sites and post-closure care has been recognized based on estimated future expenses, estimated inflation and the usage of the site's capacity during the year.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

2. Promissory notes receivable:

The promissory note receivable is interest free and was repaid in full in 2019.

The Municipality entered into a loan agreement with Michipicoten Golf Club Limited related to the purchase of turf equipment. The loan is interest free with repayment based on proceeds of specific programs and no set regular repayment terms.

	2019	2018
Promissory notes receivable	$ –	$ 914,000
Loan receivable from Michipicoten Golf Club Limited	111,192	124,759
	$ 111,192	$ 1,038,759

3. Investment in government business enterprise:

The Municipality has a 20% equity share of 2729028 Ontario Inc. (the "Corporation"). The Corporation will construct natural gas storage facilities (above ground storage tanks and associated vaporization systems) as well as local natural gas distribution systems (gas mains and laterals) to service businesses and residents in municipalities of the North Shore. The corporation is a business enterprises of the Municipality and is accounted for on a modified equity basis in the consolidated financial statements. The Municipality has committed to contributing $100,000 to the corporation.

	2019
Balance, beginning of year:	$ –
Municipality's contribution	29,198
Balance, end of year	$ 29,198

4. Deferred revenue:

The balances in the deferred revenue - obligatory of the Municipality consist of:

	2019	2018
Lot levies	$ 28,209	$ 28,209
Federal Gas Tax	953,873	1,002,113
	$ 982,082	$ 1,030,322

4. Deferred revenue (continued):

Continuity of deferred revenue - obligatory is as follows:

	2019	2018
Balance, beginning of year	$ 1,030,322	$ 1,147,407
Contributions deferred	369,296	189,513
Interest	20,354	16,187
	1,419,972	1,353,107
Contributions used	(437,890)	(322,785)
Balance, end of year	$ 982,082	$ 1,030,322

The balances in the deferred revenue - other of the Municipality consist of:

	2019	2018
Deferred revenue - non-obligatory	$ 1,782,636	$ 417,601
Prepaid rent	–	7,500
	$ 1,782,636	$ 425,101

Continuity of deferred revenue - other of the Municipality is as follows:

	2019	2018
Balance, beginning of year	$ 425,101	$ 120,782
Contributions deferred	1,708,243	341,352
Contributions used	(350,708)	(37,033)
Balance, end of year	$ 1,782,636	$ 425,101

5. Trust funds:

The trust funds administered by the Municipality amounting to $164,704 (2018 - $153,627) are presented in a separate financial statement of trust fund balances and operations. As such balances are held in trust by the Municipality for the benefit of others; they are not presented as part of the Municipality's financial position or financial activities.

6. Employee future benefit obligations:

Employee future benefits are liabilities of the Municipality to its employees and early retirees for the following benefits earned but not taken as at December 31 are as follows:

	2019	2018
Accumulated sick leave benefit plan entitlements	$ 84,288	$ 78,930
Vacation pay	215,313	253,792
Medical and dental plan entitlements	1,608,420	1,347,564
Employee future benefit obligations	$ 1,908,021	$ 1,680,286

A reserve fund in the amount of $147,432 (2018 - $201,815) has been established to fund this liability.

Accumulated sick leave payable

Municipal employees are allowed six days of sick leave per year. If the days are not taken by the end of the year, they can be paid out at 50% of their value or carried forward to be used as additional sick leave in future years. At December 31, 2019, this liability is estimated at $84,288 (2018 - $78,930).

Employee health care and life insurance

The Municipality provides extended health care and life insurance benefits to its employees. An independent actuarial study of the post-retirement and post-employment benefits has been undertaken. The valuation of the employee future benefits was completed effective December 31, 2019.

At December 31, 2019, the Municipality's accrued benefit obligation relating to post-retirement and post-employment benefits plan is $1,608,420 (2018 - $1,347,564).

The benefit liability continuity is as follows:

	2019	2018
Accrued benefit liability, January 1	$ 1,347,564	$ 1,202,427
Expense	44,946	38,603
Payments	(42,624)	(41,881)
Interest accrued	53,949	48,032
Actuarial loss	204,585	100,383
Accrued benefit liability, December 31	$ 1,608,420	$ 1,347,564

	2019	2018
Significant assumptions:		
Discount rate	3.25%	4.0%
Health cost increase	3.5 – 6.1%	3.5 – 6.1%

7. Landfill closure and post-closure liability:

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated life of the landfill site based on usage.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a thirty year period using the best information available to management. Future events may result in significant changes to the estimated total expenditures capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The Municipality operates one open landfill site and it owns and monitors two closed landfill sites. The open site has a remaining capacity of approximately 6,141 metric tons (2018 – 12,205 m^3). At current average fill rates, the site has a remaining operating life of approximately 1.5 years and expected closure in May 2021. The change in liability is recorded based on the capacity of the landfill sites used to date. At December 31, 2019, an amount of $1,506,804 (2018 - $1,364,596) with respect to landfill closure and post-closure liability has been accrued and will be funded from future taxation revenue.

A reserve of $151,173 (2018 - $131,784) has been established to contribute to the cost of closing and maintaining the landfill sites.

8. Long-term obligations:

	2019	2018
Ontario Infrastructure and Lands Corporation debenture, payable semi-annual $77,632 with interest at 5.6%, repayable July 2049	$ 2,272,694	$ 2,301,474
Debentures, payable approximately $185,000 annually Including interest ranging from 4.15% to 4.50%, due August 2020	1,610,000	1,720,000
Loan payable CMHC, $30,569 annually including interest at 3.59%, repayable December 2025	162,409	186,290
Ontario Infrastructure and Lands Corporation Debenture payable $18,409 semi-annually with interest at 2.83%, repayable December 2021	71,102	105,182
Ontario Infrastructure and Lands Corporation Debenture payable $2,110 semi-annually with interest at 3.00%, repayable February 2024	17,640	21,250
	$ 4,133,845	$ 4,334,196

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

8. Long-term obligations (continued):

Principal due on long-term debt is approximately as follows:

2020	$ 1,703,923
2021	97,650
2022	64,460
2023	67,462
2024	68,500
Thereafter	2,131,850

The annual principal and interest payments required to service the long-term obligations of the Municipality are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

Interest paid in the year and included in current expenses is $215,536 (2018 - $223,160)

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

9. Tangible capital assets:

	2019									
	Land	Landfill and Land Improvements	Buildings and Building Improvements	Infrastructure - Rail bed	Infrastructure - other	Machinery and Equipment	Vehicles	Other	Assets under Construction	Total
Cost										
Balance, beginning of the year	$ 223,244	273,237	7,684,538	250,000	44,704,574	1,517,040	245,158	622,137	3,687,225	$ 59,207,153
Additions	-	11,611	284,905	-	3,463,346	185,162	62,651	67,892	1,535,551	5,611,118
Disposals/transfers	-	-	-	-	-	(34,169)	-	-	(2,794,782)	(2,828,951)
Balance, end of year	223,244	284,848	7,969,443	250,000	48,167,920	1,668,033	307,809	690,029	2,427,994	61,989,320
Accumulated amortization										
Balance, beginning of the year	-	(230,084)	(5,006,231)	-	(25,365,904)	(548,740)	(85,133)	(249,298)	-	(31,485,390)
Disposals/transfers	-	-	-	-	-	24,907	-	-	-	24,907
Amortization expense	-	(16,387)	(215,642)	-	(1,534,885)	(76,853)	(57,625)	(56,876)	-	(1,958,268)
Balance, end of year	-	(246,471)	(5,221,873)	-	(26,900,789)	(600,686)	(142,758)	(306,174)	-	(33,418,751)
Net book value, end of year	$ 223,244	38,377	2,747,570	250,000	21,267,131	1,067,347	165,051	383,855	2,427,994	$ 28,570,569
Net book value, beginning of year	$ 223,244	43,153	2,678,307	250,000	19,338,670	968,300	160,025	372,839	3,687,225	$ 27,721,763

Assets under construction:

Assets under construction having a value of $2,457,192 (2018 - $3,687,225) have not been amortized. Amortization of these assets will commence when the asset is put into service.

Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

9. Tangible capital assets (continued):

2018

	Land	Landfill and Land Improvements	Buildings and Building Improvements	Infrastructure - Rail bed	Infrastructure - other	Machinery and Equipment	Vehicles	Other	Assets under Construction	Total
Cost										
Balance, beginning of the year	$ 223,244	273,237	7,638,602	250,000	44,002,239	1,397,472	127,914	545,786	1,711,364	$ 56,169,858
Additions	-	-	45,936	-	752,706	177,202	134,287	76,351	1,975,861	3,162,343
Disposals/transfers	-	-	-	-	(50,371)	(57,634)	(17,043)	-	-	(125,048)
Balance, end of year	223,244	273,237	7,684,538	250,000	44,704,574	1,517,040	245,158	622,137	3,687,225	59,207,153
Accumulated amortization										
Balance, beginning of the year	-	(201,823)	(4,793,172)	-	(23,934,160)	(541,391)	(69,609)	(197,127)	-	(29,737,282)
Disposals/transfers	-	-	-	-	37,359	55,712	15,907	-	-	108,978
Amortization expense	-	(28,261)	(213,059)	-	(1,469,103)	(63,061)	(31,431)	(52,171)	-	(1,857,086)
Balance, end of year	-	(230,084)	(5,006,231)	-	(25,365,904)	(548,740)	(85,133)	(249,298)	-	(31,485,390)
Net book value, end of year	$ 223,244	43,153	2,678,307	250,000	19,338,670	968,300	160,025	372,839	3,687,225	$ 27,721,763
Net book value, beginning of year	$ 223,244	71,414	2,845,430	250,000	20,068,079	856,081	58,305	348,659	1,711,364	$ 26,432,576

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

10. Tax revenues:

Property tax billings are prepared by the Municipality based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"), an agency of the Ontario government. All assessed property values in the Municipality were reviewed and new values established based on a common valuation date which was used by the Municipality in computing the property tax bills for 2018.

	2019	2018
Residential and farm taxation	$ 3,271,144	$ 3,225,637
Commercial and industrial taxation	1,817,302	1,619,201
Taxation from other governments	230,703	232,498
	5,319,149	5,077,336
Less: Amount levied and remitted to school boards	(520,715)	(515,525)
Net taxation	$ 4,798,434	$ 4,561,811

During 2019, the Municipality collected and transferred property taxes totaling $520,715 (2018 - $515,525) on behalf of area school boards.

11. Contributions to unconsolidated joint boards:

The following contributions were made by the Municipality to these unconsolidated boards:

	2019	2018
Algoma District Services Administration Board	$ 1,523,423	$ 1,515,880
Algoma Health Unit	98,195	97,704
	$ 1,621,618	$ 1,613,584

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

12. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2019	2018
Surplus:		
Invested in tangible capital assets	$ 28,570,569	$ 27,721,763
For general reduction of taxation or user charges and local boards	(3,305)	20,970
Other	2,141,228	1,137,665
Amounts to be recovered:		
Net long-term obligations	(4,133,845)	(4,334,196)
Landfill closure and post closure liability	(1,506,804)	(1,364,596)
Employee future benefit obligations	(1,908,021)	(1,680,286)
Total surplus	23,159,822	21,501,320
Reserves and reserve funds set aside for specific purpose by Council:		
Working capital	250,969	250,969
Acquisition of tangible capital assets	469,835	518,983
Sick leave	33,335	33,335
Water and sewer	542,051	489,711
Other programs	4,984,105	4,490,117
Total reserves and reserve funds	6,280,295	5,783,115
	$ 29,440,117	$ 27,284,435

13. Pension agreements:

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of all permanent, full-time members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2019 was $215,927 (2018 - $221,829) and is included as an expense on the consolidated statement of operations and accumulated surplus.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

14. Commitments:

The Municipality has entered into various contracts for services as well as long-term lease agreements for office equipment and services which extend to 2022. The minimum annual payments under the terms of these leases are as follows:

2020	$ 1,327,638
2021	389,569
2022	285,784

The Municipality has entered into long-term agreements for license fees and roadway access with Algoma Central Railway which extend indefinitely. The minimum annual payments under the terms of these arrangements is $2,100.

15. Budget figures:

The operating budget approved by Council for 2019 was prepared for the purpose of establishing the estimated revenues and expenses for fiscal 2019. The budget established does not include a budget for the amortization of tangible capital assets and includes allocations from reserves.

The budget figures presented in the statement of operations and accumulated surplus and the statement of change in net financial assets (debt) have been restated to be comparable with the Canadian public sector accounting standards. A reconciliation of the Council approved budget and the budget presented in these financial statements is presented below:

Adopted budget:	
Budgeted annual surplus for the year	$ –
Adjustments to adopted budget:	
Principal payments on long-term debt	200,351
Acquisition of tangible capital assets	4,875,086
Amortization of tangible capital assets	(1,958,268)
Net transfers to/from reserves and other	523,211
Restated budgeted surplus	$ 3,640,380

16. Comparative information:

The consolidated financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year excess of revenue over expenses.

17. Subsequent event and contingencies:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the entity has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- Experienced temporary declines in the fair value of investments and investment income
- Closure of certain municipal facilities from March 25, 2020 to the date of the auditors' report based on public health recommendations
- Mandatory working from home requirements for those able to do so

At this time, these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

18. Segmented information:

The Municipality of Wawa is a diversified municipal government institution that provides a wide range of services to its citizens. Municipality services are provided by departments and certain departments have been separately disclosed in the segmented information, along with the services they provide. These departments are:

General Government

General Government is comprised of Municipal Council, the Chief Administrators' Office (CAO), Clerks Department, Legal Department, Human Resources Department, Information Technology Services and the Finance Department. Each of these departments provides program support to various other areas. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard assets and to properly report financial activities. In addition, this department includes the governance activities of Council.

Protection Services

Protection to persons and property is comprised of police, fire/emergency, by-law enforcement and building inspections departments. The mandate of the police department is to ensure the safety of the lives and property of citizens, preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce law. The fire/emergency department is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention, detection, or extinguishment of fires. The by-law enforcement and building inspection department ensures properties are in compliance with applicable legislation, by-laws, building standards and construction codes.

Transportation Services

The transportation department is responsible for the delivery of Municipal public works services related to the planning, development, and maintenance of roadway systems, winter control and street lighting. Transportation department is responsible for the operation of small aircraft airport and fueling depot in Wawa.

18. Segmented information (continued):

Environmental Services

In addition to the management of Waterworks and Sanitary Systems, the environmental department is responsible for waste disposal and recycling facilities. This section is responsible for providing clean, portable water meeting all regulatory requirements and responsible for repairing breaks and leaks in the water and sewer system.

Health and Social Services

This section consists of Ambulance services, Social Services including Housing Services, Childcare, Assistance to aged persons, Cemetery Services as well as the Municipality's contributions to the Health Unit.

Recreation and Cultural Services

This section provides public services that contribute to neighborhood development and sustainability through the provision of recreation and leisure services such as fitness and other programs and provides management of arenas and leisure facilities. This section also contributes to the information needs of the Municipality's citizens through the provision of the library and cultural services and by preserving local history and managing archived data.

Engineering and Planning

The goal of this section is to offer coordinated development services in order to maximize economic development opportunities. The Planning and Development ensures that the Municipality of Wawa is planned and developed in accordance with the Ontario Planning Act, Provincial policies and good planning principles so that Municipality is an enjoyable and beautiful community to live, work and play. This section also provides leadership in matters relating to landscape restoration, ecosystem health, biological integrity, energy conservation, air and lake water quality.

For each reported segment, revenues and expenses include both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore certain allocation methodologies are employed in the preparation of segmented financial information.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

18. Segmented disclosure (continued):

2019

	General government	Protection services	Transportation services	Environmental services	Health and social services	Recreation and cultural services	Planning and development	Total
Revenue:								
Taxation	$ 778,279	453,968	1,026,629	982,669	628,173	864,171	64,545	$ 4,798,434
Government grants	3,288,010	515,051	1,552,495	88,589	1,262,390	76,609	-	6,783,144
Fees and user charges	63,275	37,667	422,502	1,713,599	-	407,687	10,400	2,655,130
Interest income and other	213,329	75,423	138,430	106,183	67,878	192,156	6,974	800,373
	4,342,893	1,082,109	3,140,056	2,891,040	1,958,441	1,540,623	81,919	15,037,081
Expenses:								
Salaries, wages and employee benefits	1,188,927	214,092	1,360,941	393,435	13,296	750,522	-	3,921,213
Materials, supplies and contracted services	817,178	976,071	862,416	1,234,993	1,666,501	1,277,195	167,564	7,001,918
Amortization of tangible capital assets	83,187	28,513	532,629	1,009,546	6,536	292,151	5,706	1,958,268
	2,089,292	1,218,676	2,755,986	2,637,974	1,686,333	2,319,868	173,270	12,881,399
Annual surplus (deficit)	$ 2,253,601	(136,567)	384,070	253,066	272,108	(779,245)	(91,351)	$ 2,155,682

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

18. Segmented disclosure (continued):

2018

	General government	Protection services	Transportation services	Environmental services	Health and social services	Recreation and cultural services	Planning and development	Total
Revenue:								
Taxation	$ 730,791	498,103	955,473	876,252	601,710	834,099	65,383	$ 4,561,811
Government grants	2,668,331	678,980	1,872,743	93,347	1,292,316	48,331	-	6,654,048
Fees and user charges	60,436	55,149	533,152	1,614,708	-	414,896	16,510	2,694,851
Interest income and other	79,273	71,443	129,872	77,591	53,281	171,559	6,875	589,894
	3,538,831	1,303,675	3,491,240	2,661,898	1,947,307	1,468,885	88,768	14,500,604
Expenses:								
Salaries, wages and employee benefits	1,156,923	227,519	1,218,241	410,470	19,991	767,216	-	3,800,360
Materials, supplies and contracted services	794,836	1,133,934	967,197	1,017,433	1,645,419	1,281,245	178,195	7,018,259
Amortization of tangible capital assets	78,858	22,603	469,493	1,006,899	6,536	269,212	3,485	1,857,086
	2,030,617	1,384,056	2,654,931	2,434,802	1,671,946	2,317,673	181,680	12,675,705
Other income:								
Reversal of provision on mortgage receivable	532,383	-	-	-	-	-	-	532,383
Annual surplus (deficit)	$ 2,040,597	(80,381)	836,309	227,096	275,361	(848,788)	(92,912)	$ 2,357,282

TD Commercial Banking

Northern Ontario Commercial Banking Group
1039 Memorial Avenue, 2nd Floor
Thunder Bay, Ontario, P7B 4A4
T: (705) 669-4050

July 31, 2020

The Corporation of the Town of Marathon
4 Hemlo Drive, P.O. Bag TM
Marathon, Ontario
P0T 2E0
Attention: Daryl Skworchinski, Stephanie Ash, Vivek Bakshi

Dear Ms. Ash and Messrs. Skworchinski and Bakshi:

Re: Bank Financing to Support the Proposed North Shore LNG Project

This letter is to confirm TD Bank has provided representatives of the North Shore LNG Project a financing proposal that outlines high level terms and conditions for a $20 million senior debt solution to support both the Project's interim construction and long-term financing needs.

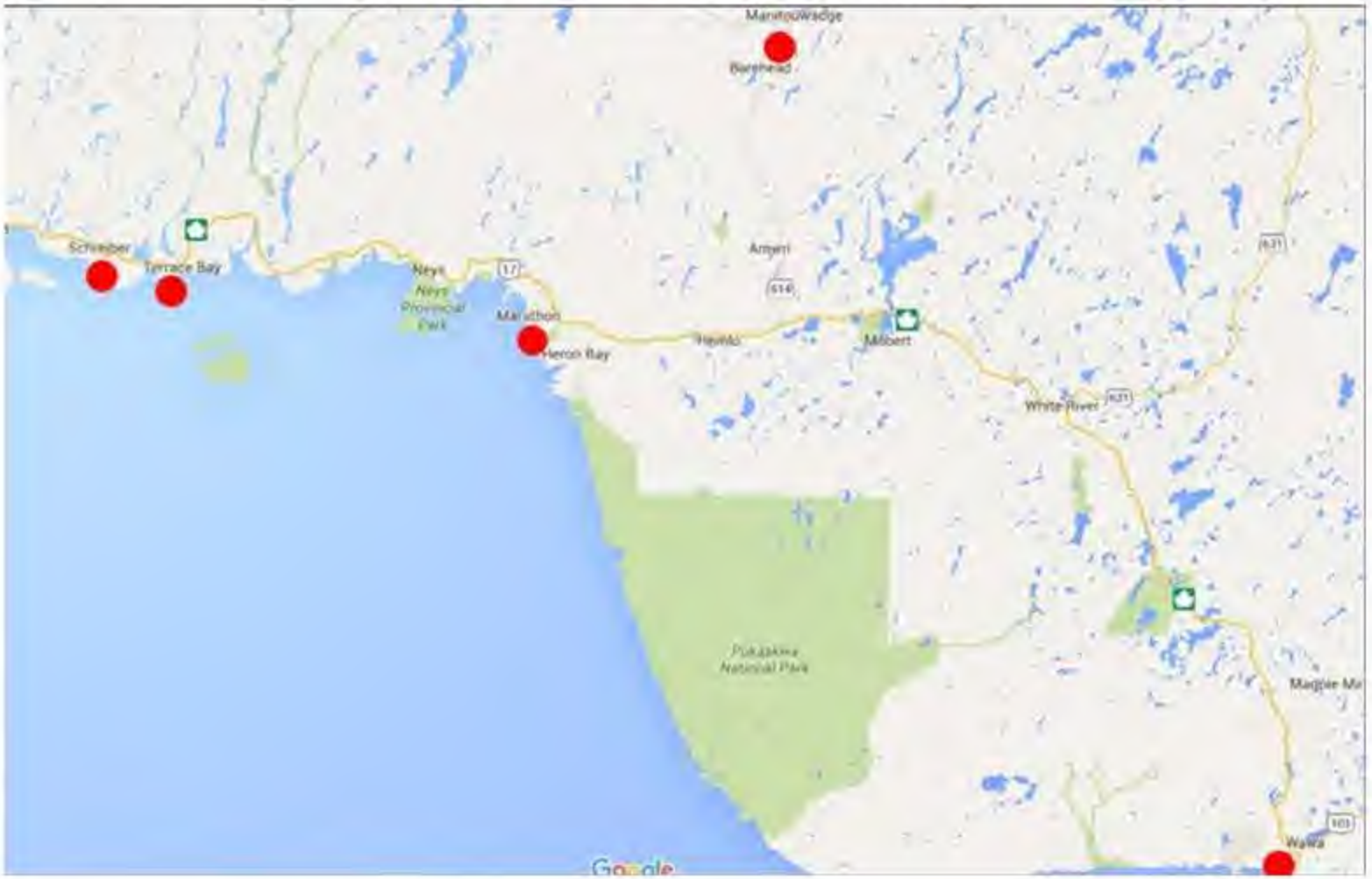
At this stage, the proposal is confidential to the Project shareholders and representatives. It is for discussion purposes and outlines suggested terms, conditions, pricing and security arrangements for the Senior Debt component of the Project. Subject to the Project securing all funding sources necessary to complete the construction and initial working capital needs, we are confident in our ability to deliver a formal senior debt offer given the shareholders support.

TD Bank is an active financial partner for many Local Distribution Companies across Canada, carrying a proven track record of structuring flexible and cost-effective banking solutions.

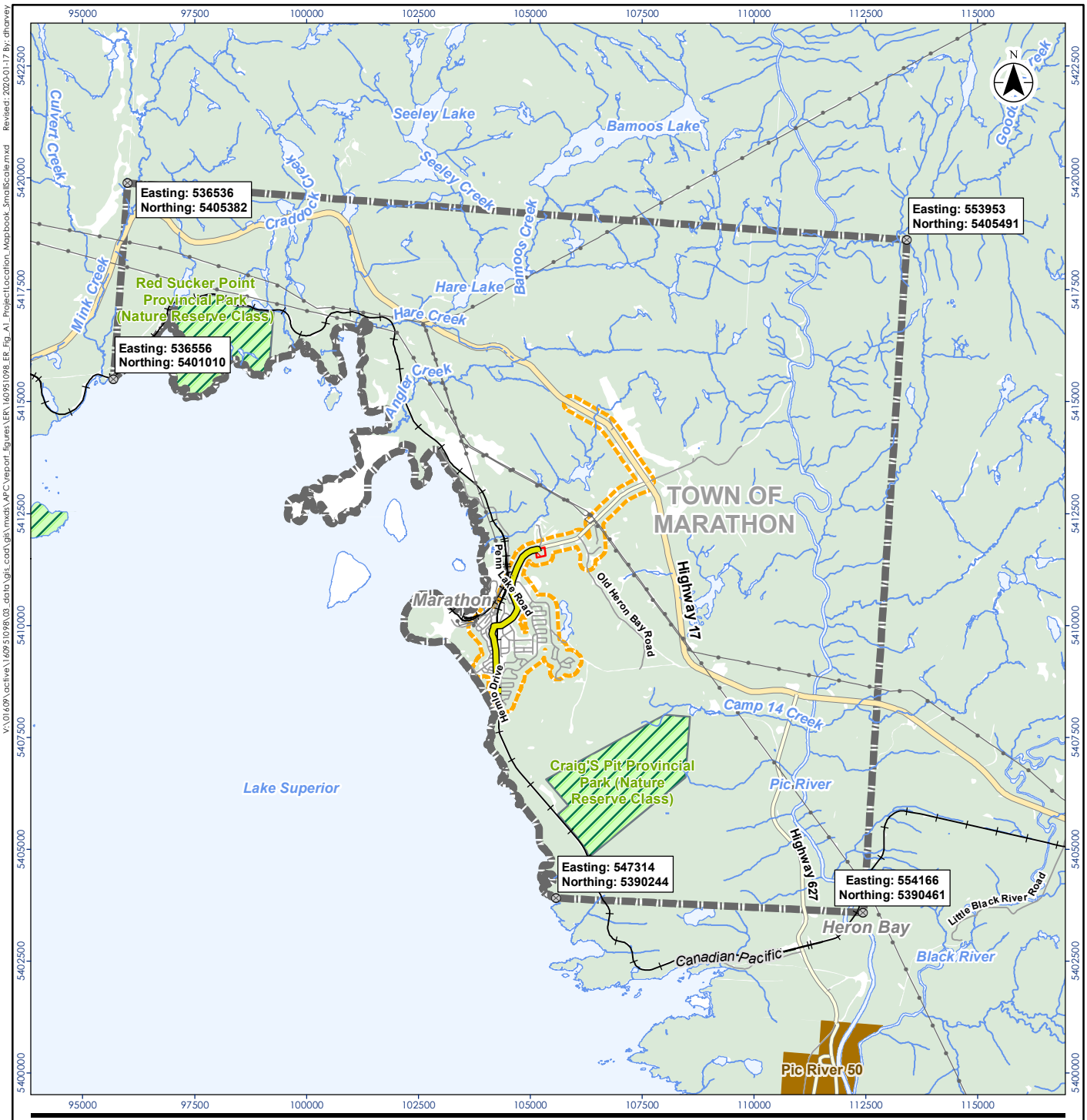
If there are any questions or concerns, please do not hesitate to contact the undersigned.

John Doris
District Vice President

North Shore Communities



District of Thunder Bay
Collins
Whitesand
Armstrong
Lake Nipigon
Kiashke Zaaging Anishinaabek (Gull Bay)
Jellicoe
Geraldton
Long Lake #58
Longlac
Ginoogaming
Animbiigoo Zaagi'igan Anishinaabek (Lake Nipigon)
Beardmore
Bingwi Neyaashi Anishinaabek (Sandpoint)
Biinjitiwaabik Zaaging Anishinaabek (Rocky Bay)
Manitouwadge
Red Rock
Nipigon
Pays Plat (Pawgwasheeng)
Terrace Bay
Schreiber
Marathon
Pic Mobert
Biigtigong Nishnaabeg (Pic River)
White River
Pass Lake
Thunder Bay
Fort William
Wawa
Michipicoten
Lake Superior
N
E
S
W



Legend

- Study Area
- Main Pipeline
- Proposed Storage Area Development Area
- Highway
- Major Road
- Local Road
- Hydro Line
- Railway
- Watercourse
- First Nation Reserve
- Municipal Boundary
- Provincial Park
- Waterbody

0 1 2 km

1:130,000 (at original document size of 8.5x11)

Notes
1. Coordinate System: NAD 1983 UTM Zone 17N
2. Base features produced under license with the Ontario Ministry of Natural Resources and Forestry © Queen's Printer for Ontario, 2018.

Stantec

Project Location
Marathon, ON

160951098
Prepared by DH on 2020-01-17
Technical Review by RG on 2019-03-15

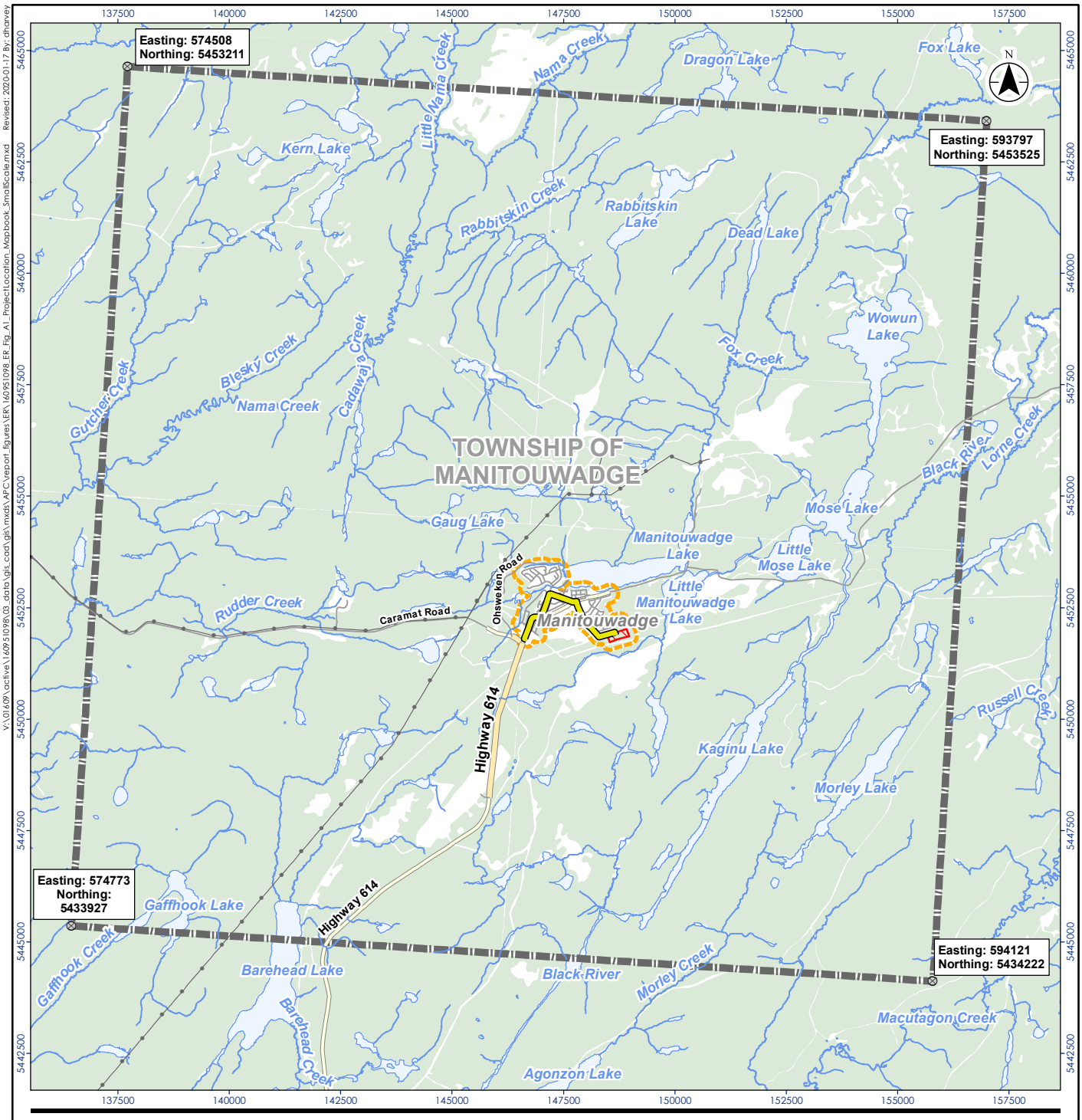
Client/Project
TOWN OF MARATHON
NORTH SHORE LNG PROJECT

Figure No.
A1

Title
Project Location- Marathon

Disclaimer: Stantec assumes no responsibility for data supplied in electronic format. The recipient accepts full responsibility for verifying the accuracy and completeness of the data. The recipient releases Stantec, its officers, employees, consultants and agents, from any and all claims arising in any way from the content or provision of the data.

V:\01409\active\160951098\03_data\gis_cad\gis\mxds\APC\report_figures\ER\160951098_ER_Fig_A1_ProjectLocation_Mapbook_SmallScale.mxd Revised: 2020-01-17 By: dharvey



Legend

- Study Area
- Main Pipeline
- Proposed Storage Area Development Area
- Highway
- Major Road
- Local Road
- Hydro Line
- Watercourse
- Municipal Boundary
- Waterbody

0 1 2 km

1:130,000 (at original document size of 8.5x11)

Stantec

Project Location
Manitouwadge, ON

160951098
Prepared by DH on 2020-01-17
Technical Review by RG on 2019-03-15

Client/Project
TOWNSHIP OF MANITOUWADGE
NORTH SHORE LNG PROJECT

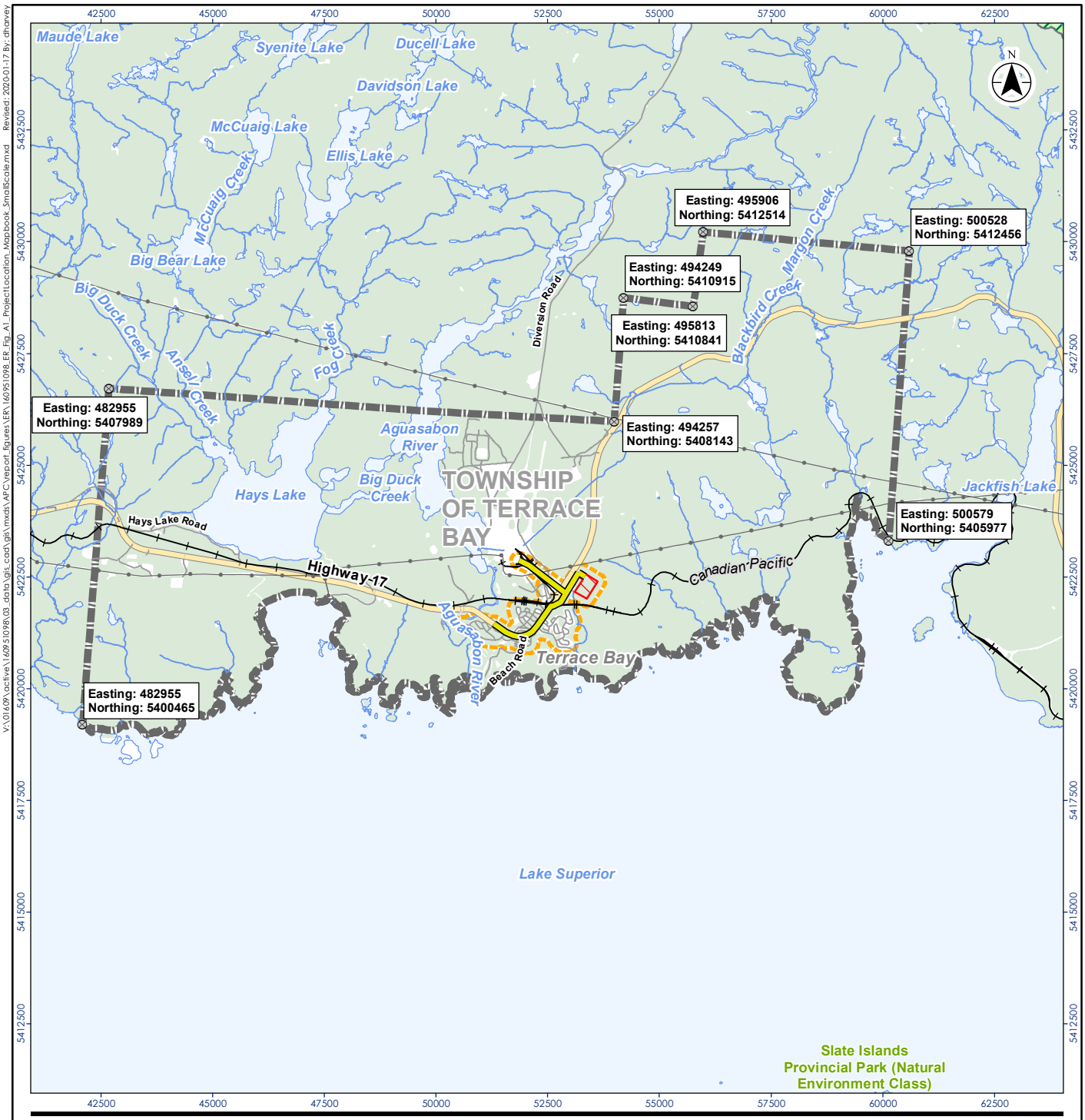
Figure No.
A1

Title
Project Location- Manitouwadge

Notes
1. Coordinate System: NAD 1983 UTM Zone 17N
2. Base features produced under license with the Ontario Ministry of Natural Resources and Forestry © Queen's Printer for Ontario, 2018.

Disclaimer: Stantec assumes no responsibility for data supplied in electronic format. The recipient accepts full responsibility for verifying the accuracy and completeness of the data. The recipient releases Stantec, its officers, employees, consultants and agents, from any and all claims arising in any way from the content or provision of the data.

V:\01609\active\160951098\03_data\gis_cad\gis\mxds\APC\report_figures\ER\160951098_ER_Fig_A1_ProjectLocation_Mapbook_SmallScale.mxd Revised: 2020-01-17 By: dharvey



V:\01409\active\160951098\03_data\gis_cad\gis\mxds\APC\report_figures\ER\160951098_ER_Fig_A1_ProjectLocation_Mapbook_SmallScale.mxd Revised: 2020-01-17 By: dharvey

Legend

- Study Area
- Main Pipeline
- Proposed Storage Area Development Area
- Highway
- Local Road
- Hydro Line
- Railway
- Watercourse
- Municipal Boundary
- Provincial Park
- Waterbody

0 1 2 km

1:130,000 (at original document size of 8.5x11)

Stantec

Project Location
Terrace Bay, ON

160951098
Prepared by DH on 2020-01-17
Technical Review by RG on 2019-03-15

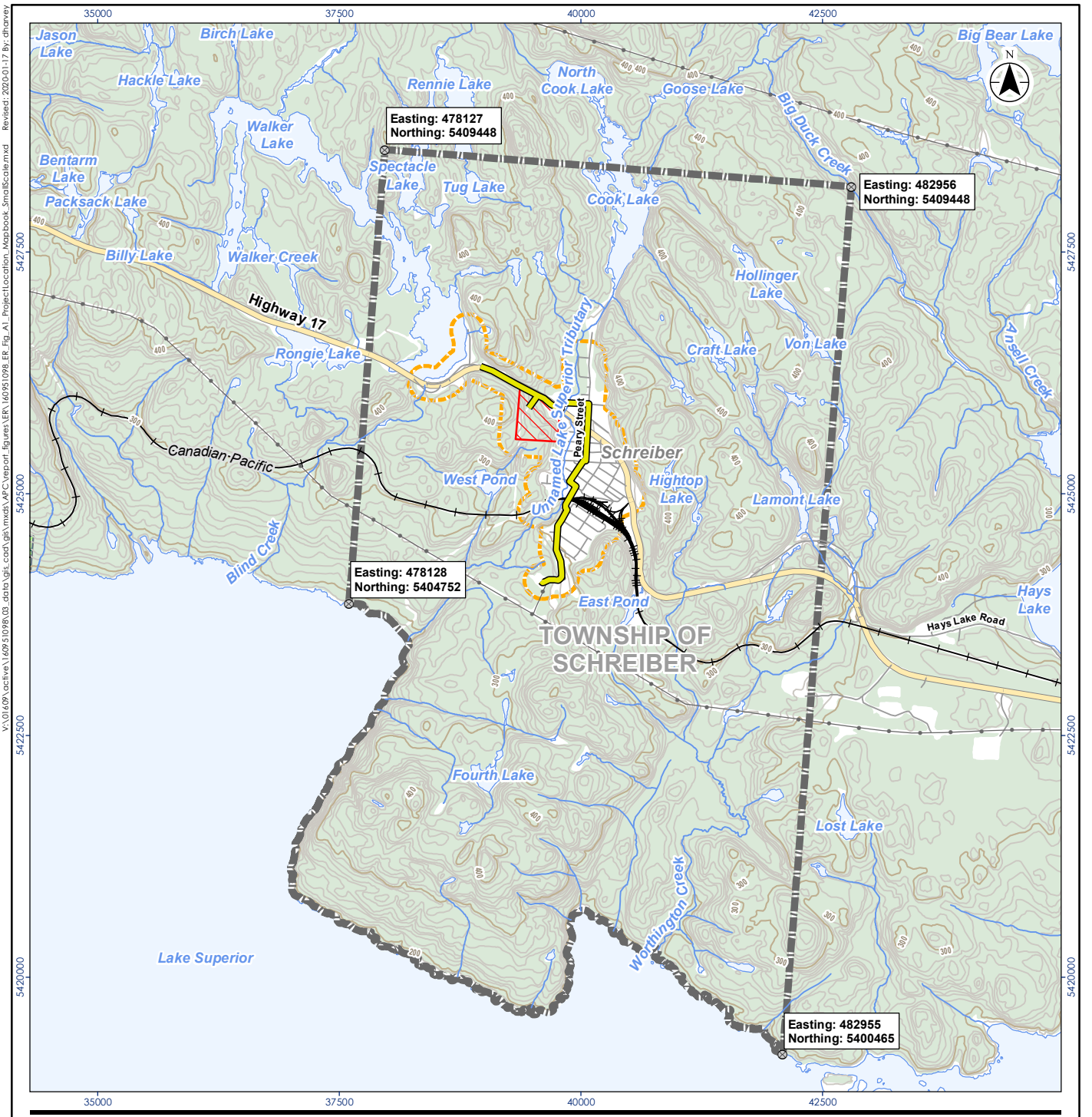
Client/Project
TOWNSHIP OF TERRACE BAY
NORTH SHORE LNG PROJECT

Figure No.
A1

Title
Project Location- Terrace Bay

Notes
1. Coordinate System: NAD 1983 UTM Zone 17N
2. Base features produced under license with the Ontario Ministry of Natural Resources and Forestry © Queen's Printer for Ontario, 2018.

Disclaimer: Stantec assumes no responsibility for data supplied in electronic format. The recipient accepts full responsibility for verifying the accuracy and completeness of the data. The recipient releases Stantec, its officers, employees, consultants and agents, from any and all claims arising in any way from the content or provision of the data.



Legend

- Study Area
- Main Pipeline
- Proposed Storage Area Development Area
- Highway
- Local Road
- Hydro Line
- Railway
- Watercourse
- Municipal Boundary
- Provincial Park
- Waterbody

0 1 2 km

1:60,000 (at original document size of 8.5x11)

Notes
1. Coordinate System: NAD 1983 UTM Zone 17N
2. Base features produced under license with the Ontario Ministry of Natural Resources and Forestry © Queen's Printer for Ontario, 2018.

Stantec

Project Location
Schreiber, ON

160951098
Prepared by DH on 2020-01-17
Technical Review by RG on 2019-03-15

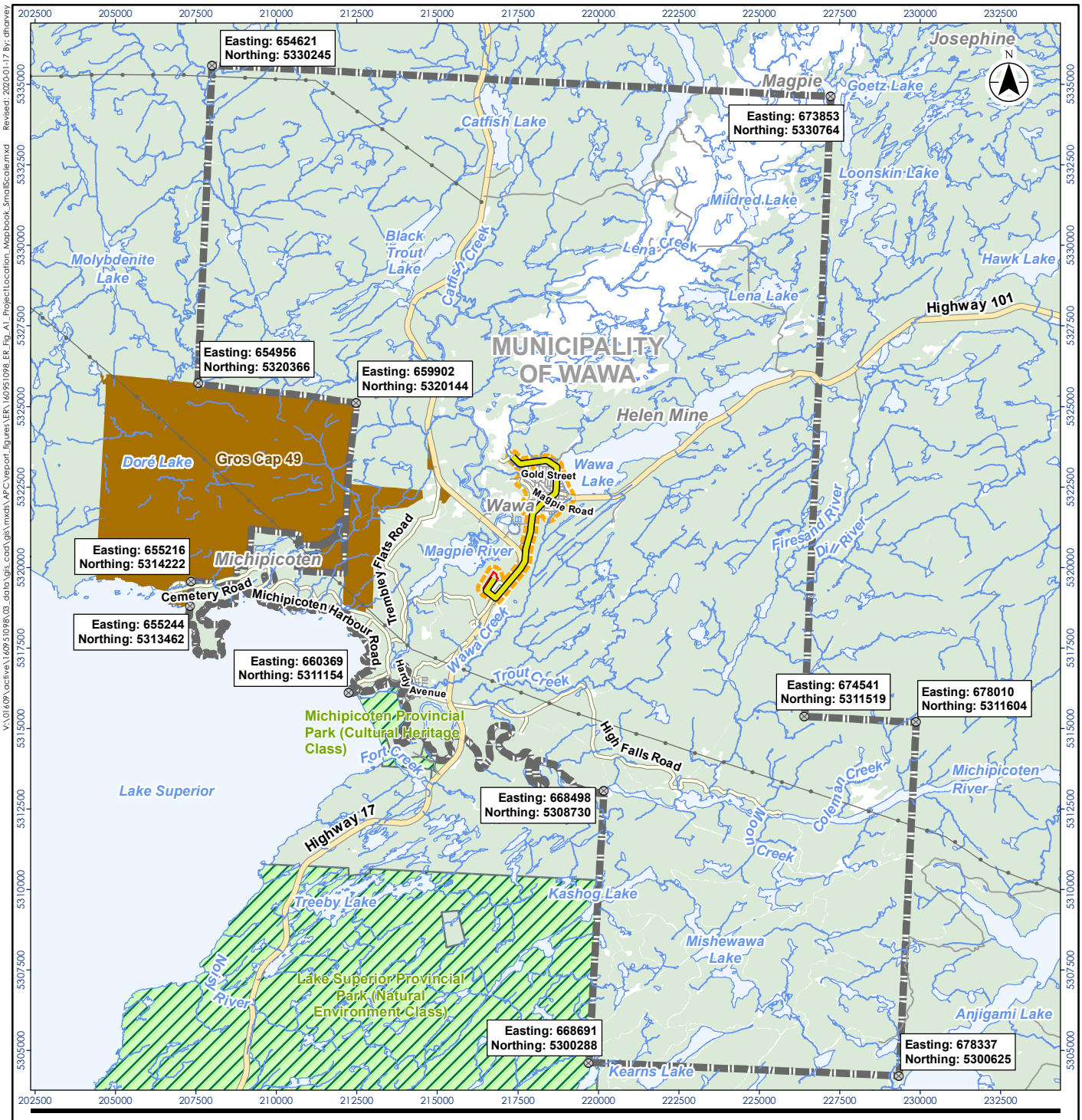
Client/Project
TOWNSHIP OF SCHREIBER
NORTH SHORE LNG PROJECT

Figure No.
A1

Title
Project Location- Schreiber

Disclaimer: Stantec assumes no responsibility for data supplied in electronic format. The recipient accepts full responsibility for verifying the accuracy and completeness of the data. The recipient releases Stantec, its officers, employees, consultants and agents, from any and all claims arising in any way from the content or provision of the data.

V:\01609\active\160951098\03_data\gis_cad\gis\mxds\APC\report_figures\ER\160951098_ER_Fig_A1_ProjectLocation_Mapbook_SmallScale.mxd Revised: 2020-01-17 By: dharvey



Legend

- Study Area
- Main Pipeline
- Proposed Storage Area Development Area
- Highway
- Major Road
- Local Road
- Hydro Line
- Watercourse
- First Nation Reserve
- Municipal Boundary
- Provincial Park
- Waterbody

0 1 2 km

1:180,000 (at original document size of 8.5x11)

Notes
1. Coordinate System: NAD 1983 UTM Zone 17N
2. Base features produced under license with the Ontario Ministry of Natural Resources and Forestry © Queen's Printer for Ontario, 2018.

Stantec

Project Location
Wawa, ON

160951098
Prepared by DH on 2020-01-17
Technical Review by RG on 2019-03-15

Client/Project
MUNICIPALITY OF WAWA
NORTH SHORE LNG PROJECT

Figure No.
A1

Title
Project Location- Wawa

Disclaimer: Stantec assumes no responsibility for data supplied in electronic format. The recipient accepts full responsibility for verifying the accuracy and completeness of the data. The recipient releases Stantec, its officers, employees, consultants and agents, from any and all claims arising in any way from the content or provision of the data.

V:\01409\active\160951098\03_data\gis_cad\gis\mxds\APC\report_figures\ER\160951098_ER_Fig_A1_ProjectLocation_Mapbook_SmallScale.mxd Revised: 2020-01-17 By: dharvey

Request for Proposal ("RFP")

RFP number TOM/042020

For the physical supply and delivery of natural gas and related services

For the:

Town of Marathon

Township of Manitouwadge

Township of Schreiber

Township of Terrace Bay

Municipality of Wawa

RFP issue date:

Wednesday, April 29, 2020

RFP closing date and time:

Friday, May 22, 2020 at 3:00 p.m.

Table of contents

1 INTRODUCTION 4

2 DESCRIPTION OF THE MUNICIPALITIES 6

2.1 MANITOUWADGE 7
2.2 MARATHON 7
2.3 SCHREIBER 7
2.4 TERRACE BAY 7
2.5 WAWA 8

3 SERVICES REQUESTED 9

4 SUPPLY REQUIREMENTS 10

5 RFP PROCESS 12

5.1 INVITATION TO RESPOND 12
5.2 SCHEDULE OF EVENTS 12
5.3 QUESTIONS AND CLARIFICATIONS 12
5.4 PROPOSAL SUBMISSION INSTRUCTIONS 13
5.5 PROPOSAL REVIEW PROCESS 13

6 FORM OF PROPOSAL AND EVALUATION CRITERIA 14

6.1 MINIMUM REQUIREMENTS 14
6.2 SCORING SYSTEM 14
6.3 FORM OF SUBMISSION 15
6.4 REQUIRED RESPONSE SECTIONS 15
6.4.1 Cover letter 15
6.4.2 Signature Form 15
6.4.3 Table of contents 15
6.4.4 Proponent information and background (5 points) 15
6.4.5 Experience and expertise (15 points) 16
6.4.5.1 References 16
6.4.6 Financial capability of the Proponent (15 points) 17
6.4.7 Technical considerations (20 points) 17
6.4.7.1 Technical capabilities 17
6.4.7.2 Scope of work 18
6.4.8 Value-add (10 points) 19
6.4.9 Relationship with Indigenous communities (15 points) 19
6.4.10 Cost breakdowns (50 points) 19
6.4.10.1 Costs associated with on-site infrastructure 22
6.4.10.2 Costs for twenty-year supply agreement 22
6.4.11 Conflicts of interest and collusion 22
6.4.12 Contractual terms 23

7 ADDITIONAL INFORMATION FOR PROPONENTS 24

7.1 LITIGATION 24
7.2 FREEDOM OF INFORMATION 24
7.3 PERSONAL INFORMATION 24
7.4 INDEMNITY 24
7.5 RIGHTS RESERVED BY THE MUNICIPALITIES 25

8 APPENDIX A: SIGNATURE FORM 27
9 APPENDIX B: INDICATIVE ROUTES AND PROPOSED AVAILABLE LANDS 28
9.1 MANITOUWADGE 28
9.2 MARATHON 29
9.3 SCHREIBER 30
9.4 TERRACE BAY 31
9.5 WAWA 32

1 Introduction

The Corporation of the Town of Marathon, in its own capacity and as the representative of the Township of Manitouwadge, the Township of Schreiber, the Township of Terrace Bay, and the Municipality of Wawa (together, the "**Municipalities**") is requesting proposals for the provision of firm supplies of natural gas delivered to distribution facilities to be constructed, by the Municipalities within each Municipality, for re-delivery to residential, commercial, institutional, and industrial customers within each such Municipality (together, the "**Distribution System**").

The Distribution System will be constructed, owned and operated by a company incorporated and owned, in equal parts, by the five Municipalities for these purposes (the **"Utility**"). The Distribution System will comprise discrete pipeline systems within each of the five Municipalities, each discrete system unconnected with any of the other systems, for a total combined length of approximately 116.5 kilometers ("**km**"). Associated facilities will include facilities for the receipt and storage of natural gas in each of the five Municipalities; a supervisory control and data acquisition system that will continuously monitor the operating pressure of the discrete systems in each Municipality; meters and pressure regulators at each customer connection; and sectional valves that isolate specific pipeline sections in order to facilitate regular maintenance and emergency repairs. More detailed information about the proposed facilities can be found here: http://www.rds.oeb.ca/HPECMWebDrawer/Record/649873/File/document

Subject to the receipt of required regulatory and other approvals, the Municipalities expect that the Distribution System will be constructed in the period 2020 to 2021 and will commence commercial operation in the last quarter of 2021.

Early on in the development of the project, the Municipalities ruled out, as cost prohibitive, the option of securing the Utility's gas supply via a physical pipeline connection with TC Energy's Canadian Mainline (the "**TC Mainline**") which traverses northern Ontario, within approximately 80 to 280 km of the Municipalities. The Municipalities concluded that the only feasible way in which to secure natural gas would be via a **virtual natural gas pipeline connection** between a delivery point on a natural gas distribution or transmission pipeline (for example, on the TC Mainline) and the Distribution System. Such a virtual pipeline would comprise either liquefied natural gas ("**LNG**") or compressed natural gas ("**CNG**") facilities that would receive natural gas delivered via pipeline and liquefy or compress it, as the case may be. The resultant LNG or CNG would then be truck-delivered to each of the five Municipalities, for on-site storage and subsequent injection into the Distribution System.

In August 2019, the Municipalities filed an application ("**Application**") with the Ontario Energy Board (the **"Board"** or **"OEB"**) for the approvals and authorizations required to develop, construct, own, and operate the Distribution System. The Application also sought the OEB's approval of a Natural Gas Supply Plan, as well as the rate/cost consequences of a Gas Services Agreement proposed to be entered into by the Utility. Further information about the Municipalities' initial Gas Supply Plan that was included in the Application can be found here: http://www.rds.oeb.ca/HPECMWebDrawer/Record/649873/File/document (see tabs 8 and 13).

The OEB convened proceeding EB-2018-0329 to hear and determine the Application in two phases. The OEB issued its decision on Phase 1 on February 27, 2020 (the "**Phase 1 Decision**"). The Board approved neither the Gas Supply Plan nor the rate/cost consequences of the proposed Gas Services Agreement and, instead, required the Municipalities to file a revised Gas Supply Plan in Phase 2 of the proceeding, which would include a more detailed assessment of CNG supply options versus LNG supply options.

This Request for Proposals ("**RFP**") is being issued, by invitation, to a number of potential CNG and LNG suppliers, as one component of the Municipalities' response to the Phase 1 Decision and in anticipation of other regulatory applications in respect of the project. (Parties who submit a proposal in response to this RFP are hereinafter referred to as "**Proponent(s)**"). Should the Municipalities select a gas supplier on the basis of this RFP, it would be their intention to: (i) negotiate and enter into a Gas Supply Agreement between the Utility and that Proponent for the long-term firm supply of natural gas and related services; and (ii) seek the OEB's approval of the rate/cost consequences of the new agreement. The Municipalities expect that the initial term of the Gas Supply Agreement will be ten (10) years, commencing September 2021, with an option to extend the term by an additional ten years, at the Utility's sole discretion.

While the Utility's actual supply requirement in any one year will be a function of actual customer attachments in that year, current attachment forecasts suggest that annual supply requirements over the ten-year period following commencement of commercial operation will increase from: 86,229 gigajoules ("**GJ**") to 379,970 GJ under a Low Case projection, and from 346,514 GJ to 1,318,245 GJ under a High Case projection (see Section 4).

The balance of this RFP describes the natural gas supply services that the Municipalities are seeking, the process that will govern this RFP, and the criteria that will be used to evaluate Proposals received in response to this RFP.

2 Description of the Municipalities

Located on the North Shore of Lake Superior, the five Municipalities share a long history in the development of Canada's natural resource economies of mining, forestry, and tourism. Located at the top of the Canadian Shield and deep within the boreal forest, the rugged and majestic terrain of Lake Superior has created a rich and deep cultural heritage for the approximately 11,000 people who continue to call the North Shore their home.

Municipality	Population (2016 census)
Manitouwadge	1,937
Marathon	3,273
Schreiber	1,059
Terrace Bay	1,611
Wawa	2,905

Figure 1. Map of the Municipalities

2.1 Manitouwadge

Located halfway between Sault Ste. Marie, Ontario and Thunder Bay, Ontario, Manitouwadge (Manidoowaazh in Ojibway, meaning "Cave of the Great Spirit") is part of the range of the nomadic Ojibway people and two legends weave a story of Manitou, the mighty spiritual father and the discovery of the Wadge, of his great spirit. Rich in natural resources, Manitouwadge has been home to early prospectors eager to stake mineral claims across the Northwest and those in search of its riches. The Town itself was founded by Noranda (now part of Glencore) in the early 1950s to support the company's Geco copper mine. While mining has always been at the forefront of Manitouwadge's economic activity, forestry also plays a significant part in the Town's economy. Canoe routes abound from a leisurely day paddle to a week-long adventure that will ensure you will see abundant wildlife, plush forests, and the rugged terrain that drew so many people to the area before us.

2.2 Marathon

The Town of Marathon began as a railroad community named Peninsula, due to its location on a peninsula on Lake Superior. Constructing the railroad, between 1881 and 1883, over the region's terrain was a great engineering feat. At the time of the construction, some 12,000 men and 5,000 horses worked out of the town. It wasn't until a pulp mill was constructed in town in 1946 that the town's name was changed to “Marathon”, in honor of the owner and operator of the mill, Marathon Corporation. In the early 1980s, gold was discovered at Hemlo, an uninhabited area adjacent to the Trans-Canada highway some 40 km east of Marathon and 50 km south of Manitouwadge. By the late 1980s, three mines were running at Hemlo, one of which (the Williams Mine) continues to operate to this day.

2.3 Schreiber

Strategically located in the centre of Canada, Schreiber is a full-service community that provides easy access to major transportation routes such as the Canadian Pacific Railway and the Trans-Canada Highway. Schreiber is a multicultural community that is nestled among some of the world’s most amazing scenery. The area as a whole is renowned for its rocky cliffs, forest trails, and quiet beaches – the ideal place for outdoor living and adventure. The town boasts some of the best fishing in both summer and winter, the greatest snowmobiling, breathtaking views, and incredible nature.

2.4 Terrace Bay

Terrace Bay originated in the 1940s when a pulp and paper mill was established by the Longlac Pulp & Paper Company, later renamed Kimberly-Clark Forest Products. The pulp mill continues to operate today under the ownership of the Aditya Birla Group, better known in the region as AV Terrace Bay. Also in the 1940s, the Aguasabon Generating Station was created by the Water Division of Ontario Hydro, in order to redirect northward flowing, Long Lake, south through the Aguasabon River system into Lake Superior. Terrace Bay boasts a multitude of sandy beaches on the shores of Lake Superior as well as smaller inland lakes.

2.5 Wawa

Wawa lies between the north shore of Lake Superior, the world's largest freshwater lake, and the spring-fed Wawa Lake. The town's name is derived from the Ojibway word for "wild goose", which is depicted by the famous Wawa goose statue that sits at the entrance to the town. This unique community includes both francophone and aboriginal populations. Wawa is strategically located in the center of Northern Ontario's major forestry and mining industries. The town is on the Trans-Canada Highway and products can be easily transported by truck, rail, air, or low-cost shipping through Wawa's natural deep-sea port on Lake Superior.

For more detailed information about the Municipalities, please visit the links below:

www.manitouwadge.ca
www.marathon.ca
www.schreiber.ca
www.terracebay.ca
www.wawa.cc

3 Services requested

The Municipalities seek to purchase, from the successful Proponent, the following natural gas supply-related goods and services (together, the "**Services**"):

a. the receipt and processing (i.e., liquefaction or compression) of firm daily volumes of natural gas (as stipulated below in Section 4), purchased by the Utility and/or the Utility's customers and delivered to the liquefaction or compression facilities, as the case may be, of the Proponent;

b. the truck transportation of LNG or CNG, as the case may be, from the Proponent's facilities to storage and re-gasification or de-compression facilities located in each of the five Municipalities;

c. enhanced gas supply reliability in the form of the provision of five days' worth of supply (in the form of LNG or CNG, as the case may), stored "on-site" in each of the Municipalities, save and except in the Township of Wawa where an inventory of seven days' worth of supply will be required to be maintained (storage requirements are presented subsequently in Table 3 and Table 4); and

d. the provision and operation of re-gasification or de-compression facilities, on-site storage facilities (as per "c" above), pipeline injection facilities, and all other associated facilities located within each Municipality.

While Proponents should include the services described in "d" above in their proposals, it is noted that the Municipalities have yet to decide whether the Utility should own and/or operate these facilities. Accordingly, the offer of the services described in "d" above should be severable from the other components of a Proponent's proposal. For greater clarity, it is confirmed that the gas supply services described in "c" above will be required in any event, notwithstanding whether it is the Utility or the successful Proponent that owns and/or operates the facilities described in "d" above.

It will be the responsibility of the successful Proponent to secure appropriate land tenure and required permits in respect of any lands required for the provision of the services described in "d" above. Each Municipality has a limited amount of land that can be made available, at market prices, to the successful Proponent for this purpose, as follows:

Municipality	Hectares
Manitouwadge	7.7
Marathon	8.49
Schreiber	28.95
Terrace Bay	24.82
Wawa	19.34

See also Section 9 of this RFP for information on indicative routes and available lands.

4 Supply requirements

The ten-year forecast of annual requirements for each of the five Municipalities, commencing September 2021, is presented below (with years referring to the 365-day period following commencement of commercial operation). As actual requirements will vary depending on the actual level of customer attachments, both Low (Table 1) and High (Table 2) cases are provided.

Table 1. Low Case projected annual requirements (thousand GJ)

	Low Case - Projected annual requirements (thousand GJ)									
Municipality	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Manitouwadge	17.96	49.73	58.85	63.00	65.74	67.29	68.83	70.36	71.89	73.01
Marathon	26.13	71.45	88.51	96.15	100.39	103.42	106.43	108.84	111.25	112.85
Schreiber	9.75	26.86	35.21	38.20	40.44	41.89	43.32	44.58	45.84	46.70
Terrace Bay	15.48	42.50	50.49	54.01	56.39	57.96	59.52	60.82	62.12	63.02
Wawa	16.90	45.84	60.63	67.55	72.04	74.92	77.79	80.40	82.99	84.39
Total	86.23	236.38	293.69	318.91	335.00	345.48	355.90	365.01	374.08	379.97
Peak Day Total	0.838	1.985	2.393	2.605	2.744	2.836	2.929	3.012	3.095	3.151

Table 2. High Case projected annual requirements (thousand GJ)

	High Case - Projected annual requirements (thousand GJ)									
Municipality	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Manitouwadge	20.2	55.6	66.2	70.6	73.6	75.3	77.1	78.9	80.6	82.0
Marathon	28.6	77.8	96.5	104.6	109.1	112.3	115.6	118.4	121.2	123.2
Schreiber	11.9	32.4	42.1	45.7	48.2	49.8	51.5	53.0	54.5	55.6
Terrace Bay	264.6	606.1	724.1	786.9	828.9	857.1	885.4	911.7	938.1	956.9
Wawa	21.2	56.3	73.4	81.2	86.5	89.8	93.0	96.1	99.1	100.6
Total	346.5	828.2	1,002.2	1,089.0	1,146.2	1,184.4	1,222.6	1,258.0	1,293.5	1,318.2
Peak Day Total[1]	0.949	2.269	2.746	2.984	3.140	3.245	3.350	3.447	3.544	3.612

The annual requirements under the High Case are higher than the annual requirements under the Low Case for two reasons. First, they reflect a slightly higher forecast for residential and commercial customer classes, relative to the Low Case. Second, they reflect the addition of volumes related to a potential interruptible Utility customer with fuel-switching capability in the Township of Terrace Bay, who would be fully interrupted on peak days and would contract with the Utility to switch to natural gas when the demand of the Utility's other customers is less than the Utility's contracted daily demand.

For this reason, the Low Case scenario reflects daily requirements that vary over the course of a year in accordance with heat sensitive loads. In contrast, under the High Case scenario, daily deliveries will normally be equal to the peak day demand with daily excess being used by the interruptible industrial customer in Terrace Bay. Accordingly, in the High Case scenario, the Utility is assumed to require the same quantity of gas (and number of deliveries) on each and

[1] Note the Peak Day Total amount is equal to the Daily Contract Demand, in the High Case only.

every day of a contract year and the "Peak Day Total" quantities indicated in the last row of Table 2 reflect a contracted daily demand for that year.[2]

As discussed previously in Section 3, the Municipalities also require the provision of a minimum of five days of gas demand to be maintained within each Municipality (with the exception of Wawa, which requires a minimum of seven days of gas demand). The ten-year forecasts of on-site inventory requirements (in GJ) for each of the Municipalities, for the period commencing September 2021, are presented in Table 3 and Table 4 below.

Table 3. Low Case on-site storage requirements (GJ)

	Low Case - On-site storage requirements (GJ)									
Municipality	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Manitouwadge	851.6	1,824.1	2,183.7	2,359.3	2,478.4	2,548.7	2,619.1	2,689.4	2,759.7	2,813.8
Marathon	1,231.8	2,942.8	3,527.6	3,849.4	4,032.8	4,167.6	4,302.4	4,413.1	4,523.8	4,602.0
Schreiber	473.7	1,472.4	1,737.5	1,863.5	1,959.4	2,022.9	2,086.3	2,142.9	2,199.4	2,239.8
Terrace Bay	848.1	1,632.3	1,937.8	2,086.8	2,189.6	2,260.0	2,330.3	2,390.3	2,450.3	2,494.1
Wawa	1,095.7	2,872.6	3,608.1	4,013.0	4,280.3	4,456.6	4,632.9	4,794.7	4,956.5	5,050.2

Table 4. High Case on-site storage requirements (GJ)

	High Case - On-site storage requirements (GJ)									
Municipality	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Manitouwadge	943.6	2,063.2	2,483.8	2,669.7	2,799.1	2,879.8	2,960.4	3,041.1	3,121.8	3,186.2
Marathon	1,330.7	3,202.5	3,851.8	4,194.2	4,388.0	4,533.1	4,678.2	4,806.1	4,934.0	5,029.4
Schreiber	562.3	1,697.7	2,017.0	2,169.4	2,275.7	2,349.5	2,423.3	2,490.2	2,557.1	2,607.7
Terrace Bay	2,377.9	5,309.3	6,397.7	6,933.5	7,297.8	7,535.5	7,773.2	7,992.7	8,212.1	8,371.5
Wawa	1,338.8	3,466.2	4,335.4	4,796.8	5,110.8	5,311.2	5,511.6	5,702.4	5,893.1	5,993.0

While the forecast requirements in both the High Case and Low Case scenarios are subject to change, and while actual requirements may be higher or lower than forecast requirements over the forecast period, Proponents should submit proposals based on forecast requirements for both the High Case and Low Case scenarios.

[2] For greater certainty, the requirements associated with the Terrace Bay customer are not included in the amounts stipulated in the Low Case scenario (Table 1). Finally, please note that the Daily Contract Demand in the High Case scenario (Table 2) is the quotient of the Utility's total annual High Case requirements divided by 365.

5 RFP process

5.1 Invitation to respond

All recipients of this RFP are invited to respond. Recipients who intend to respond must notify the Municipalities of such intent **by May 6, 2020**, confirming they will submit a proposal in writing in accordance with the terms of this RFP. This notification must be sent by email to the Municipalities' **Primary Contacts**:

Stephanie Ash, Project Manager, North Shore Gas Project

Email: stephanie@northshorenaturalgas.com

AND

Louise Lees, Deputy Clerk, Town of Marathon

Email: clerk@marathon.ca

5.2 Schedule of events

The following time schedule applies to this RFP. The Municipalities reserve the unilateral right, in their sole discretion, to modify or amend any of the dates and events below. Proponents will be notified, via email, of any such modifications or amendments.

Scheduled event	Date
RFP issue date	April 29, 2020
Deadline for receipt of written questions	May 7, 2020, by 3:00 p.m.
Deadline for issuance of addenda and responding to questions	May 13, 2020, by 3:00 p.m.
Deadline for receipt of written proposals made in response to this RFP ("Closing Date"):	May 22, 2020, by 3:00 p.m.

No pre-proposal meetings will be held in respect of this RFP.

5.3 Questions and clarifications

Each Proponent is instructed to read and understand all requirements set out in this RFP and to provide complete and accurate information in its response. The failure of a Proponent to meet any such requirements could jeopardize its consideration.

Questions about this RFP, including questions seeking further information, must be submitted, in writing, by sending an email to the Municipalities' Primary Contacts by the date stipulated above. Errors, ambiguities, omissions, contradictions and/ or items subject to more than one interpretation in this RFP should be brought to the attention of the Municipalities by sending an email to their Primary Contacts, requesting instruction, decision, direction, or clarification of same. All communication between the Proponents and the Municipalities related to the RFP must be submitted in writing. The RFP number and Proponent's name should be indicated in the subject line of each email.

The Municipalities will use reasonable efforts to answer all questions by the date stipulated above. The Municipalities reserve the right not to respond to a question or questions. The Municipalities' responses to those questions that it is prepared to answer will be emailed to all Proponents in the form of an addenda to this RFP. The Municipalities may, in their discretion, issue amendments, modifications and/or addenda to this RFP, which amendments, modifications and/or addenda will be considered part of this RFP.

The Municipalities assume no responsibility for any amendments or addenda that are not received by Proponents. It is the sole responsibility of each Proponent to ensure that it has received all items related to this RFP, prior to the Closing Date stipulated above.

5.4 Proposal submission instructions

Proposals **must** be submitted via email **only,** addressed to the Municipalities' Primary Contacts. To be considered, proposals must be submitted by the Closing Date stipulated above.

Proposals must be submitted in unlocked Microsoft Word or unlocked searchable Adobe Portable Document Format ("PDF") with the proposal document file name(s) clearly referencing the RFP number and Proponent name. Individual files should be 10 megabytes or less in size; larger files should be sent ahead of the deadline to allow for transmission and confirmation of receipt, and should be appropriately named and numbered to identify the number of files comprising the proposal.

Proponents may amend or withdraw their proposals before the Closing Date of this RFP by submitting a written notice to the Primary Contacts.

Following the RFP Closing Date, each Proponent's proposal is irrevocable and shall not be amended without the prior written consent of the Municipalities (which they may withhold, in their sole discretion). Proposals must remain valid for at least one hundred and eighty (180) days following the Closing Date. Proponents agree to be bound by the contents of their proposals.

5.5 Proposal review process

Following the Closing Date, the Municipalities shall review the proposals received having regard to the requirements of this RFP. The Municipalities may, in their sole discretion, contact a Proponent to clarify aspects of its proposal or to ask follow-on questions. The Municipalities may, in their sole discretion but in consultation with the Proponent, consider responses received in this regard, to constitute a component of the Proponent's proposal.

6 Form of proposal and evaluation criteria

6.1 Minimum requirements

In order for a Proponent's proposal to be evaluated, it must meet the following minimum requirements. Each Proponent must:

- notify the Municipalities by May 6, 2020 of its intent to submit a proposal in response to this RFP (see Section 5.1);
- demonstrate that its proposed management team possesses a minimum of twenty (20) years of relevant experience, spread across up to four individuals;
- have a minimum financial capability of at least Canadian $10 million, which can be demonstrated via cash, investor commitments, letters of credit, or other means as submitted by the Proponent; and
- demonstrate experience in consulting and working with Indigenous communities.

If a Proponent is unable to meet these minimum requirements, its proposal will not be scored through the evaluation process.

6.2 Scoring system

Proposals will be scored in accordance with the following Evaluation Criteria and associated Points system. In evaluating each proposal, the Municipalities will consider the capability and standing of the Proponent, the ability of the Proponent to provide the Services and meet the requirements of the Municipalities, the scope and value of the proposed Services, the costs of supply, and all such other criteria as the Municipalities consider to be appropriate.

	Evaluation Criteria	Maximum Points
1	**Background and Information**	**5**
	See Section 6.4.4	
2	**Experience and Expertise**	**15**
	See Section 6.4.5	
3	**Financial Capability**	**15**
	See Section 6.4.6	
4	**Technical Considerations**	**20**
	See Section 6.4.7	
5	**Value-Add**	**10**
	See Section 6.4.8	
6	**Relationship with Indigenous Communities**	**15**
	See Section 6.4.9	
7	**Cost Breakdowns**	**50**
	See Section 6.4.10	
	Total available points	**130**

The Municipalities reserve the right to reject one or more proposals from further consideration if, in their sole discretion, they consider such proposal or proposals to be deficient. In evaluating the proposals, the Municipalities may, in their sole discretion, assign more weight to the proposal considered as a whole, relative to the weights assigned to individual components.

6.3 Form of submission

Proposals should be written in English, on 8.5"x11" paper, with at least size 11 font and no less than single paragraph spacing (including, at minimum, 6 point spacing between paragraphs). Proponents are asked to limit their proposals to 40 pages (excluding table of contents, Signature Form, and appendices). Proposals should be organized in accordance with the following list:

1. cover letter
2. Signature Form
3. table of contents
4. Proponent information
5. experience and expertise (including references)
6. financial capability
7. technical considerations
8. value-add
9. relationship with Indigenous communities
10. cost breakdowns
11. conflicts of interest
12. contractual terms
13. additional sections and appendices (as needed)

6.4 Required response sections

Proposals must include the following components:

6.4.1 Cover letter

A brief introduction to the Proponent and a summary of its qualifications and capabilities.

6.4.2 Signature Form

Proponents must include a copy of the Signature Form (provided in Section 8 of this RFP), signed by a representative or officer of the Proponent who has authority to bind the Proponent. Proposals that do not include a signed copy of the Signature Form will not be considered.

6.4.3 Table of contents

Outline of the proposal, including section names and page numbers; use of a built-in Microsoft Word Table of Contents which has cross-references within the document is encouraged.

6.4.4 Proponent information and background (5 points)

Details concerning the Proponent and its corporate structure, including:

i. Proponent primary contact information
   a. Name
   b. Title
   c. Email
   d. Address
   e. Telephone
ii. Proponent profile, organization, and corporate structure
iii. Brief history, background, and focus of the Proponent

6.4.5 Experience and expertise (15 points)

Proponents should provide detailed information and demonstrations of relevant experience and expertise, including experience and expertise supplying natural gas to municipal distribution systems, via virtual LNG or CNG pipelines. This can be done by describing: the types of customers supplied by the Proponent in connection with other of its projects (e.g. residential, commercial, and industrial customers); past and current gas supply projects, including years in operation and location; and experience supplying natural gas to local distribution utilities with a primarily residential customer base. If the Proponent, itself, does not have experience in the supply of natural gas in a manner similar to that contemplated in this RFP, key members of the Proponent's proposed management team should be able to demonstrate their capabilities, experience, and expertise in this regard.

Proponents are also asked to demonstrate their general knowledge and familiarity of municipal governments; knowledge and familiarity with Northern Ontario and its geography and communities (both municipal and Indigenous); and knowledge of government and regulatory approval processes, including the Ontario Energy Board and environmental approval processes.

Finally, Proponents are requested to provide details of any gas supply or similar agreement to which they were a party, which agreement was terminated or cancelled prior to the expiration of the contract term.

6.4.5.1 References

Proponents should provide a list of at least four references, including contact information and the nature and currency of the relationship with the Proponent. References from existing customers who are supplied by the Proponent are preferred; if such references are unavailable, references from former customers or customer references for key members of the Proponent's proposed management team may be submitted.

The Municipalities may contact the submitted references to speak to the reputation and capability of the Proponent and/or its key members. The Municipalities may also contact other third parties with knowledge of the Proponent.

6.4.6 Financial capability of the Proponent (15 points)

Proponents are required to demonstrate appropriate financial capability. Proponents or their parent entities should be able to demonstrate a tangible net worth of at least Canadian $10 million or an investment grade credit rating of BBB-/Baa3 or higher. Proponents may also propose other methods of demonstrating financial capability (for example, by posting a performance bond; providing a letter of credit; providing evidence of investor commitments; and/or providing unconsolidated audited financial statements coupled with some other form of financial assurance).

Proponents who need to construct new facilities in order to provide the Services to the Municipalities must provide information on their proposed financing structure and plan in order to demonstrate their capability to raise required debt and equity financing.

6.4.7 Technical considerations (20 points)

6.4.7.1 Technical capabilities

Proponents are required to provide information regarding their technical capabilities and capacity, including:

- a detailed description of the physical facilities (e.g., connecting pipeline, plants etc.) that will be used in the provision of the Services to the Utility, including details related to the operating history, geographic location, and proximity to the TC Mainline of all such facilities;
- a breakdown between the total capacity of each physical facility that will be used in the provision of the Services to the Utility and the total contracted capacity as of the date of this RFP whether on a firm or interruptible (or spot) basis (both for existing and yet-to-be constructed facilities); if this information is commercially sensitive, the Proponent must, nevertheless, demonstrate in some alternative fashion, that it will have the available capacity and capability that will be necessary to provide the Services to the Utility (including the potential for increased needs as a result of higher-than-anticipated customer attachments);
- where physical facilities will need to be constructed in order to provide the Services to the Utility, a detailed description of the status of such construction, including projected timelines and the status of project permitting and Indigenous consultation;
- a detailed description of the major items of equipment that will be used in the provision of the Services to the Utility;
- confirmation that the Proponent will own the facilities and equipment required to provide the Services to the Utility or a description of the legal arrangement pursuant to which the Proponent will be entitled to use the facilities and equipment that are required to provide the Services to the Utility;
- confirmation of the form of natural gas (e.g., LNG, CNG) that would be delivered to the Utility;
- the frequency of truck deliveries to each Municipality, and the expected volume of each such delivery;

- evidence of the Proponent's capability to effect all such deliveries (e.g. the number of trucks under its control and the volume of natural gas each truck is able to transport);
- the road distance (in km) between each of the facilities that will be used to supply the Municipalities and each of the Municipalities;
- a description of the equipment and facilities that will be located on-site within each Municipality;
- a description of the safety, reliability, and environmental impacts of facilities proposed to be constructed (within or outside of the Municipalities) in order to supply the Municipalities, as well as the safety, reliability, and environmental impacts of all items related to its supply and distribution of natural gas to the Municipalities;
- a schedule that lists all regulatory and other approvals, permits, authorizations, and standards that will need to be secured or met in order to provide the Services to the Municipalities, the issuing authority and the time expected to secure such approvals etc.;
- a description of how the Proponent will meet the Utility's requirements related to enhanced supply reliability in the form of inventoried supply required to be maintained within each Municipality (see Sections 3 and 4);
- the total area of land that the Proponent will require in each Municipality in order to provide the Services, including a breakdown between the available Municipal lands (see Section 3) that the Proponent will require and any additional land that will be required by the Proponent; where additional land will be required, the Proponent must describe how much additional land will be required and how it plans on securing this land; and
- a detailed emergency supply plan that describes how the Proponent will provide the Services to the Utility in the event that facilities and/or equipment used in the provision of the Services in the normal course, are unavailable due to a planned or unplanned outage.

If the Proponent's technical capabilities are to be developed, information on realistic expectations of these capabilities can be used provided these expectations are derived using good faith and would be capable of meeting the Utility's anticipated commencement period of September 2021. In addition, Proponents must clearly state where these technical capabilities are based on expectations, and must provide information on the probability that the infrastructure will be financed and completed, and receive all required approvals in time for the commencement of commercial operation of the Distribution System.

6.4.7.2 Scope of work

Proponents are asked to detail how they are best suited to meet the requirements of the Municipalities as summarized in Sections 3 and 4 of this RFP. Proponents should describe the entirety of their role and the scope of services they will be providing, including timeframe, project plans, as well as what facilities it will operate/build/design to meet the supply and delivery requirements of the Municipalities. Proponents are also requested to describe the benefits of their proposed form of natural gas supply compared to alternative forms of natural gas (e.g. if Proponent proposes to supply CNG, then it should detail the benefits of CNG over LNG).

6.4.8 Value-add (10 points)

Proponents are asked to describe additional value-add that their proposal, if accepted, would provide to the Municipalities, its taxpayers and its stakeholders and partners. Examples of such value-adds would be the provision of financing or equipment leasing programs to assist potential customers with the cost of converting to natural gas, and the provision of real and concrete opportunities for employment and development within each Municipality and/or adjacent communities.

6.4.9 Relationship with Indigenous communities (15 points)

Proponents are asked to demonstrate good standing and relationships with Indigenous communities, including First Nations and Métis communities. This can include but is not limited to: a description of the Proponent's corporate culture; a description of the Proponent's internal departments that collaborate with Indigenous communities; a description of specific outreach programs; and supporting letters from Indigenous communities and leadership in relation to the facilities the proposal will use for the provision of the Services. Proponents are also asked to provide information on their past and current activities in Northern Ontario (if any) and their interactions and relationships with Indigenous communities over the course of these activities. If the Proponent has had limited interactions with Indigenous communities in Northern Ontario, similar information on interactions and relationships in other areas of North America may be provided.

6.4.10 Cost breakdowns (50 points)

Proposals must include a year-by-year breakdown of the fixed and variable costs that would be borne by the Utility over a ten-year period, commencing September 2021, for the provision of the Services by the Proponent. Costs should be in Canadian dollars and exclusive of any applicable sales taxes to be paid by the Utility. Where projections and estimates are underpinned by assumptions, this should be clearly indicated and the nature and basis of all such assumptions should be described. All underpinning assumptions should be grounded in good faith.

Notable cost components should include:

- costs, if any, associated with the delivery of gas on a connection facility owned by the Proponent, to the Proponent's compression/liquefaction facility;[3]
- activities carried out at the Proponent's facilities, including its compression or liquefaction of natural gas delivered to the Proponent for the account of the Utility and/or its customers;
- transporting the natural gas, in the form of LNG or CNG, to the Municipalities;
- the provision and operation of the facilities required to be located within each Municipality to provide the required enhanced level of supply reliability (i.e. inventoried supply);

[3] For example, costs associated with the transportation of gas from the TC Mainline to the Proponent's liquefaction/compression facility.

- the provision and operation of all other facilities that will be located within each Municipality to effect the delivery of and injection of natural gas into the Distribution System;
- costs of heating and pressurizing/depressurizing the supplied gas prior to injection into the Distribution System, in each Municipality (please also specify assumed temperature and pressure);
- any additional fixed cost items; and
- any additional variable cost items.

Proponents are requested to present this cost information broken down by component using the template tables provided below, under both the Low and High Case projected annual requirement scenarios presented in Section 4 (Table 1 and Table 2) of this RFP. Proponents should consider annual consumption, peak day/daily contract demand requirements, and storage requirements for each case.

Individual components have been listed in the template tables, but Proponents may expand on individual components as needed and may add as many rows as required to detail each line item associated with the gas supply costs. For each component, Proponents should identify whether the cost is fixed, varies by peak demand/daily contract demand, or varies by storage requirements. Proponents should also describe all costs that will be indexed, and all assumptions used to determine those costs.

Proponents are also asked to provide in the last row of these tables the all-in costs for the provision of the Services to the Utility, which should be the sum of the individual components. Proponents should provide a list of assumptions underpinning these all-in costs, and any exclusions in the provided pricing.

Cost information should be presented on an annual $/GJ basis, in nominal dollar terms, (i.e. Year 1 is 2021-22 dollars, Year 10 is 2030-31 dollars), assuming a 2% inflation escalator.

Table 5. Low Case annual costs ($/GJ)

	Low Case annual requirements - Annual costs ($/GJ)									
Component	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Delivery/connection facilities owned by Proponent										
Activities at Proponent facilities										
Transportation of gas to Municipalities										
Provision/operation of on-site storage facilities										
Provision/operation of all other on-site facilities										
Heating and pressure adjustment										
Other fixed cost items (please specify)										
Other variable cost items (please specify)										
All-in cost										

Table 6. High Case annual costs ($/GJ)

	High Case annual requirements - Annual costs ($/GJ)									
Component	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Delivery/connection facilities owned by Proponent										
Activities at Proponent facilities										
Transportation of gas to Municipalities										
Provision/operation of on-site storage facilities										
Provision/operation of all other on-site facilities										
Heating and pressure adjustment										
Other fixed cost items (please specify)										
Other variable cost items (please specify)										
All-in cost										

The Municipalities also wish to understand how costs under Proponents' proposals will vary with variations in the Utility's annual gas requirements, relative to the requirements set out in Section 4 of this RFP. Proponents are requested to provide this information and may choose to do so on the basis of projected, all-in cost (annual $/GJ) or on some other basis that better suits their operations but, in any event, this information should assume the annual requirements and associated peak day and storage requirements set out in Table 7 below.

Table 7. Annual costs (all in, $/GJ) under alternate annual requirements

			All-in annual costs ($/GJ)									
Annual Requirements (GJ)	**Peak Day (GJ)**	**Storage Requirements (GJ)**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
100,000	750	4,080										
	1,125	6,120										
	2,500	13,600										
200,000	750	4,080										
	1,125	6,120										
	2,500	13,600										
400,000	1,125	6,120										
	2,500	13,600										
	3,000	16,320										
750,000	2,500	13,600										
	3,000	16,320										
	4,000	21,760										
1,000,000	3,000	16,320										
	4,000	21,760										
	5,000	27,200										
1,400,000	4,000	21,760										
	5,000	27,200										
	6,000	32,640										

As discussed in Section 3 of this RFP, the Municipalities have yet to decide whether the Utility will own and operate the facilities described in listed item "d". Accordingly, proposals should

include the annual all-in costs (in $/GJ terms) for the Low Case and the High Case requirement scenarios set out in Section 4 (Table 1 and Table 2) of this RFP, under two different assumptions:

1. the assumption that the Proponent provides the Services described in Section 3 item (d). These costs should be provided as the last lines of the preceding Table 5 and Table 6; and
2. the assumption that the Utility provides the Services described in Section 3 item (d). Costs here should be presented in a manner that allows them to be directly comparable to the all-in cost estimates provided as the last lines of Table 5 and Table 6, but should exclude the provision of Services described in Section 3 item (d).

Additionally, Proponents can provide the all-in costs for the annual consumption levels presented in Table 7, under both assumptions (Proponent provides Services described in Section 3 item (d), and Utility provides).

6.4.10.1 Costs associated with on-site infrastructure

Under the assumption that the Proponent is providing the services described in Section 3 item (d), Proponents are asked to provide:

- the capital costs associated with all on-site infrastructure located within each Municipality (in dollar terms); and
- the costs associated with a buy-out by the Utility of all on-site infrastructure at the end of the ten-year period (in dollar terms).

6.4.10.2 Costs for twenty-year supply agreement

As covered in Section 1 of this RFP, the Municipalities currently expect the initial term of the Gas Supply Agreement will be ten years. However, the Municipalities would like to understand the costs associated with a longer-term supply agreement. With this in mind, Proponents are requested to provide all information requested in Section 6.4.10 but assuming a **twenty-year supply period** commencing in September 2021 (rather than a ten-year supply period, as was the case in Section 6.4.10).

As the Low Case and the High Case requirement scenarios set out in Section 4 (Table 1 and Table 2) of this RFP only extend to Year 10, proponents should assume that from Year 11 onwards supply requirements will grow at an annual rate of 1.5% over the previous year's requirements.

6.4.11 Conflicts of interest and collusion

Proposals must include a declaration of all actual conflicts of interests, and what may reasonably expected to be potential conflicts of interest, between the Proponent and the Municipalities/the Utility, that exist now or may exist in the future, together with their proposed plan for managing and dealing with these conflicts of interest (if any such actual or potential conflicts exist).

Proponents must not engage in any collusive activities whether directly or indirectly, including with other potential Proponents. Proponents must have no knowledge of the contents of

proposals from other potential Proponents, other than what can be reasonably construed from publicly available information.

6.4.12 Contractual terms

Proposals should include a term sheet that at a minimum describes/specifies:

- contractual terms and/or conditions that the Proponent **requires** be included in any Gas Supply Agreement entered into between the Utility and the Proponent; and
- contractual terms and/or conditions which, **while not required** by the Proponent, the Proponent would, nevertheless, like the Municipalities to consider.

Proponents may also provide a template of a Gas Supply Agreement that they would expect to enter into with the Utility.

7 Additional information for Proponents

7.1 Litigation

No bid shall be accepted from any Proponent, its principals, directors or any officer of that firm, or another related person (as determined by the Municipalities), with whom any one of the Municipalities is engaged in unresolved litigation.

7.2 Freedom of information

All proposals submitted to the Municipalities become the property of the Municipalities and, as such, are subject to the provisions of the *Municipal Freedom of Information and Protection of Privacy Act*.

The Municipalities will not use/disclose the information included in any proposal submitted by a Proponent without the consent of that Proponent unless required to do so pursuant to the *Municipal Freedom of Information and Protection of Privacy Act* or by any regulatory authority. For greater certainty, proposals or information about proposals received from Proponents may be required to be disclosed in the context of proceedings convened by the Ontario Energy Board to hear and consider applications by the Municipalities and/or the Utility for necessary authorizations and approvals. While commercially sensitive and other confidential information in such proposals may be redacted in documents that are publicly posted and available, Proponents should be aware that it is the practice of the Ontario Energy Board to allow certain parties (for example, certain representatives of intervening parties) access to redacted information in circumstances where such parties have provided signed undertakings to hold the information in confidence.

7.3 Personal information

In accordance with the *Municipal Freedom of Information and Protection of Privacy Act*, the Proponent, its directors, officers, employees, agents, volunteers and persons for whom it is at law responsible, shall hold confidential any information or document obtained as part of any work undertaken under any contract issued under this RFP and shall not disclose or release any such information or document to any person at any time during or following the term of this contract, except where required by law, without first obtaining the written consent of the Municipalities. The Proponent shall fully comply with any requirements regarding the protections of personal information and confidentiality to which it may be subject from time to time.

7.4 Indemnity

The successful Proponent shall indemnify and hold the Municipalities harmless from and against liability, loss, claims, demands, costs, and expenses, including reasonable legal fees, occasioned wholly or in part by any acts or omissions either in negligence or in nuisance whether willful or otherwise by the Proponent, it's agents, officers, employees or other persons for whom the Proponent is legally responsible.

7.5 Rights reserved by the Municipalities

Proposals will be evaluated from entities that demonstrate they have the necessary staffing, facilities, experience, ability, and financial resources to perform the work in a satisfactory manner. Proven track record must be demonstrated.

These reserved rights are in addition to any other express rights or any other rights which may be implied in the circumstances and the Municipalities shall not be liable for any expenses, costs, losses, or any direct or indirect damages incurred or suffered by any Proponent or any third party resulting from the Municipalities exercising any of its express or implied rights under this RFP.

The Municipalities reserve the right to:

- make public the names of any or all Proponents;
- inspect the Proponent's facilities and to perform such investigations as may be deemed necessary to ensure that competent personnel and management and suitable equipment/material will be used in the performance of this contract;
- without prejudice, reject any or all proposals and to determine, in its own best judgment, the firm best qualified to undertake the Services;
- waive formalities and accept proposals which substantially comply with the requirements of this RFP;
- accept any proposal in whole or in part;
- make changes, including substantial changes, to this RFP provided that those changes are by way of addenda in the manner set out in this RFP;
- select any Proponent other than the Proponent whose proposal reflects the lowest cost to the Municipalities or the highest score;
- negotiate changes with the Proponent that presents the most attractive proposal;
- request written clarification or the submission of supplementary written information in relation to the clarification request from any Proponent and incorporate a Proponent's response to that request for clarification into the Proponent's proposal;
- verify with any Proponent or with a third party any information set out in a proposal;
- disqualify any Proponent whose proposal contains misrepresentations or any other inaccurate or misleading information;
- disqualify any Proponent or the proposal of any Proponent who has engaged in conduct prohibited by this RFP;
- cancel this RFP process at any stage and, if required, issue a new RFP for the same or similar services;
- in their discretion, take any one or more of the following steps, at any time and from time to time, in connections with the review and evaluation, including ranking, of any aspect of a proposal:

  - independently consider, investigate, research, analyze, request or verify any information of documentation whether or not contained in any proposal;
  - conduct reference checks relevant to the Project with any or all of the references cited in a proposal, or with any other person not listed in a proposal, to verify any and all information regarding a Proponent, including its directors, officers, and Key Individuals;
  - conduct any background investigations that it considers necessary in the course of the Competitive Selection Process;
  - by submitting its proposal, the Proponent authorizes the collection of information by the Municipalities.
- assess a Proponent's proposal on the basis of:
  - a financial analysis determining the actual cost of the proposal when considering factors including transition costs arising from the replacement of existing goods, services, practices, methodologies, and infrastructure (howsoever originally established);
  - information provided by references;
  - the information provided by a Proponent pursuant to the Municipalities exercising its clarification rights under this RFP process, or;
  - other relevant information that arises during this RFP process.

The Municipalities will not reimburse Proponents for any costs related to the preparation or submission of proposals. The Municipalities are not responsible for damages, costs, or expenses of any nature whatsoever incurred by Proponents, for any reason whatsoever, relating to or arising, directly or indirectly, from or in respect of this RFP, its proposal, and/or any resulting process (including without limitation any subsequent discussions or negotiations, if any, or any competitive process) and waives any and all claims against the Municipalities. The Municipalities will not accept responsibility for any delays or costs with any reviews or approval process.

Prices must be firm for the duration of the contract. This is an invitation for proposals and not a tender call.

The basis of award is subject to budget availability by approval of the Municipalities. The Municipalities shall have the final authority on all matters regarding this RFP.

8 Appendix A: Signature Form

The undersigned represents and warrants that it is authorized to carry out the project referred to in the Municipalities' RFP for the physical supply and delivery of natural gas and related services (RFP number TOM/042020), dated and issued April 29, 2020, and that it is not prohibited by any law applicable in Canada or Ontario from carrying out the services and/or providing the goods set out therein.

The undersigned also acknowledges receipt and understanding of and has taken into consideration all information presented in the RFP as well as any and all associated amendments or addenda, including all instructions, terms, and conditions.

The undersigned further declares that it is fully qualified to provide the requested services to the Municipalities, and that all statements, schedules, and other information provided in this submission are true, complete and accurate in all respects to the best knowledge and belief of the Proponent. The Proponent understands that this may result in the rejection of its submission if this declaration is found to be untrue.

The undersigned confirms and agrees that the individual whose name is set out below is fully authorized to represent the undersigned in all matters and to sign this proposal on behalf of the undersigned in all matters relating to or arising out of this proposal.

_____

Proponent Legal Name

By:

_____

Signature

_____

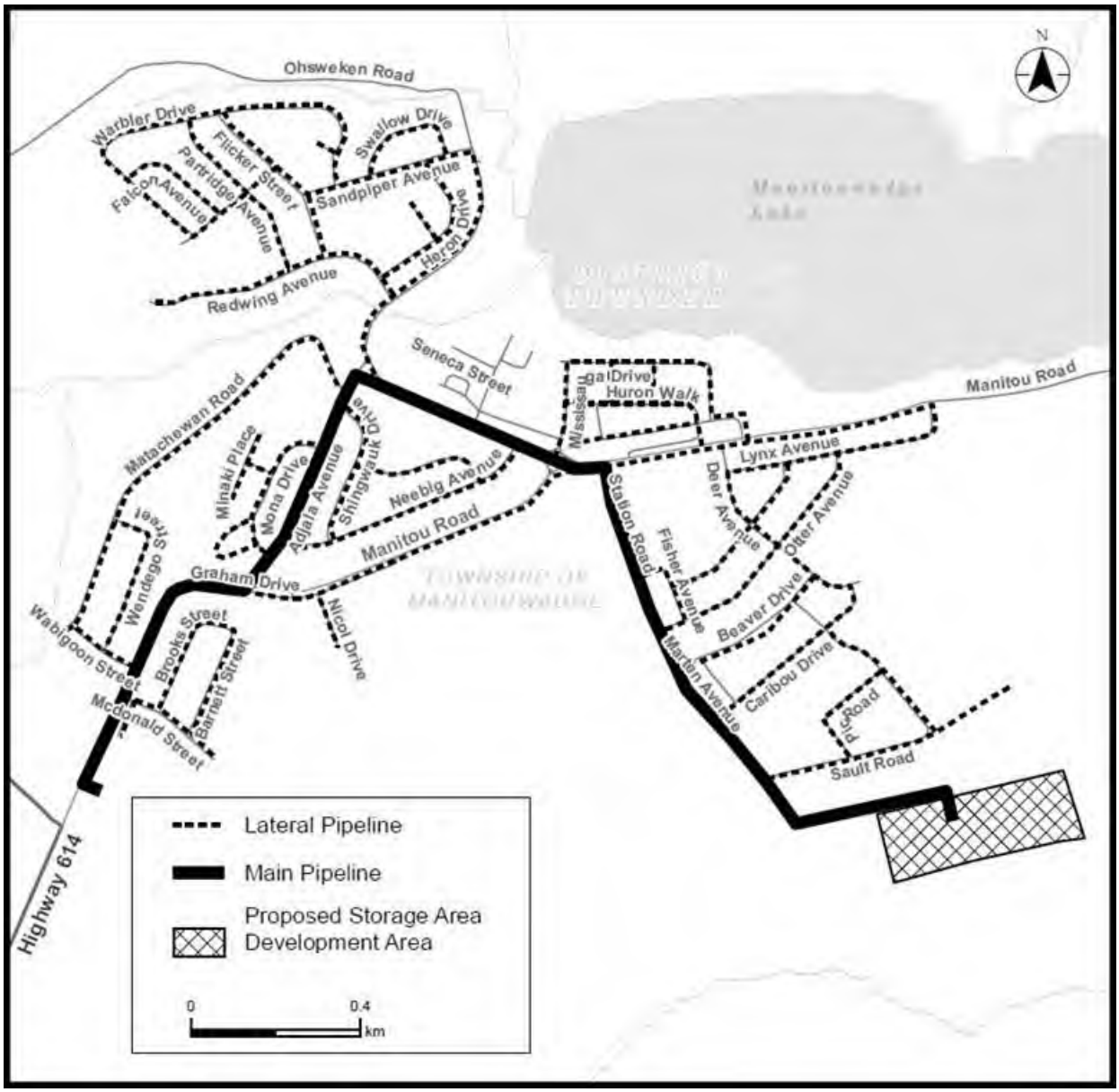
Print Name and Title (Please Type)

_____

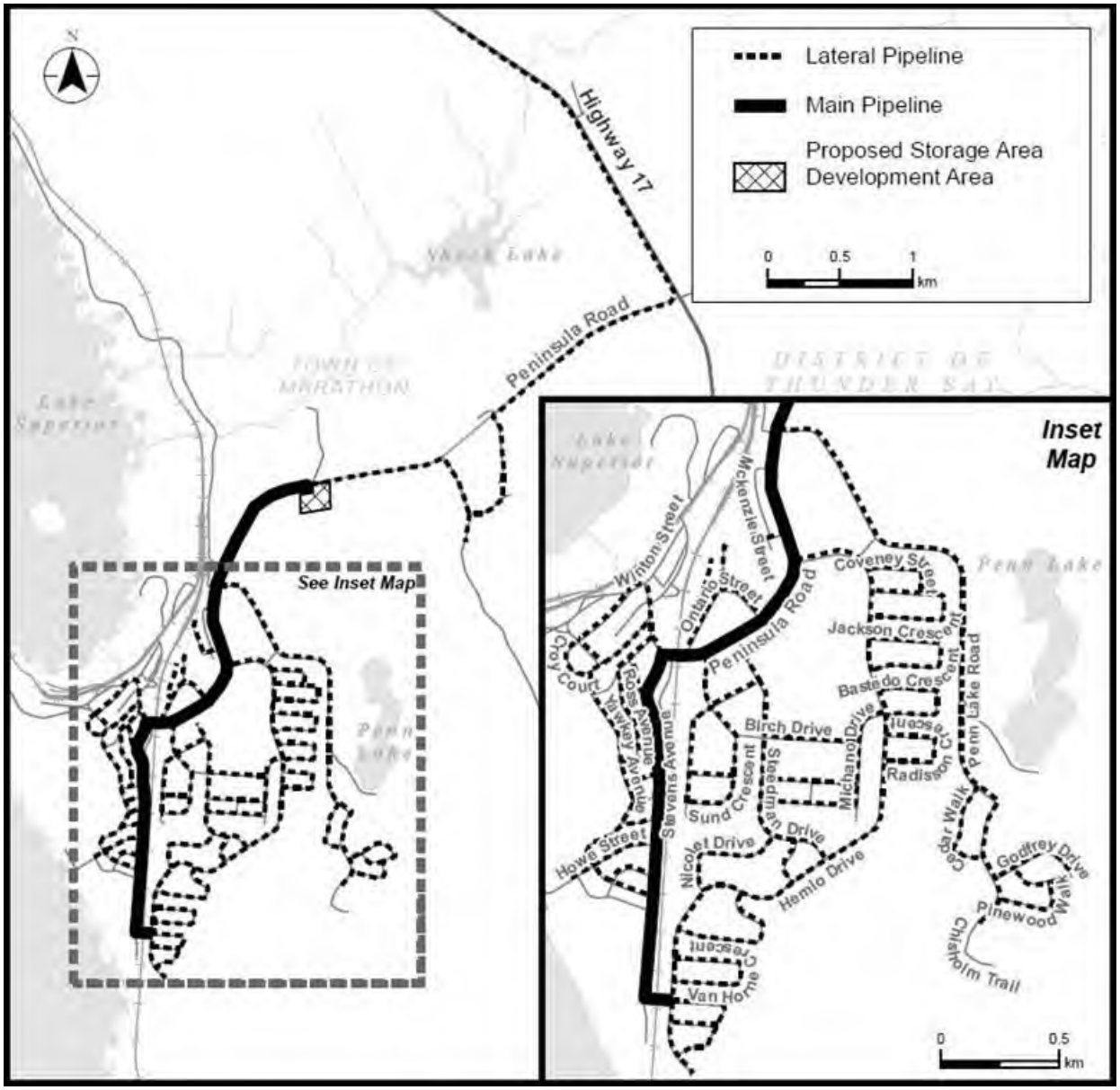
Date

9 Appendix B: Indicative routes and proposed available lands

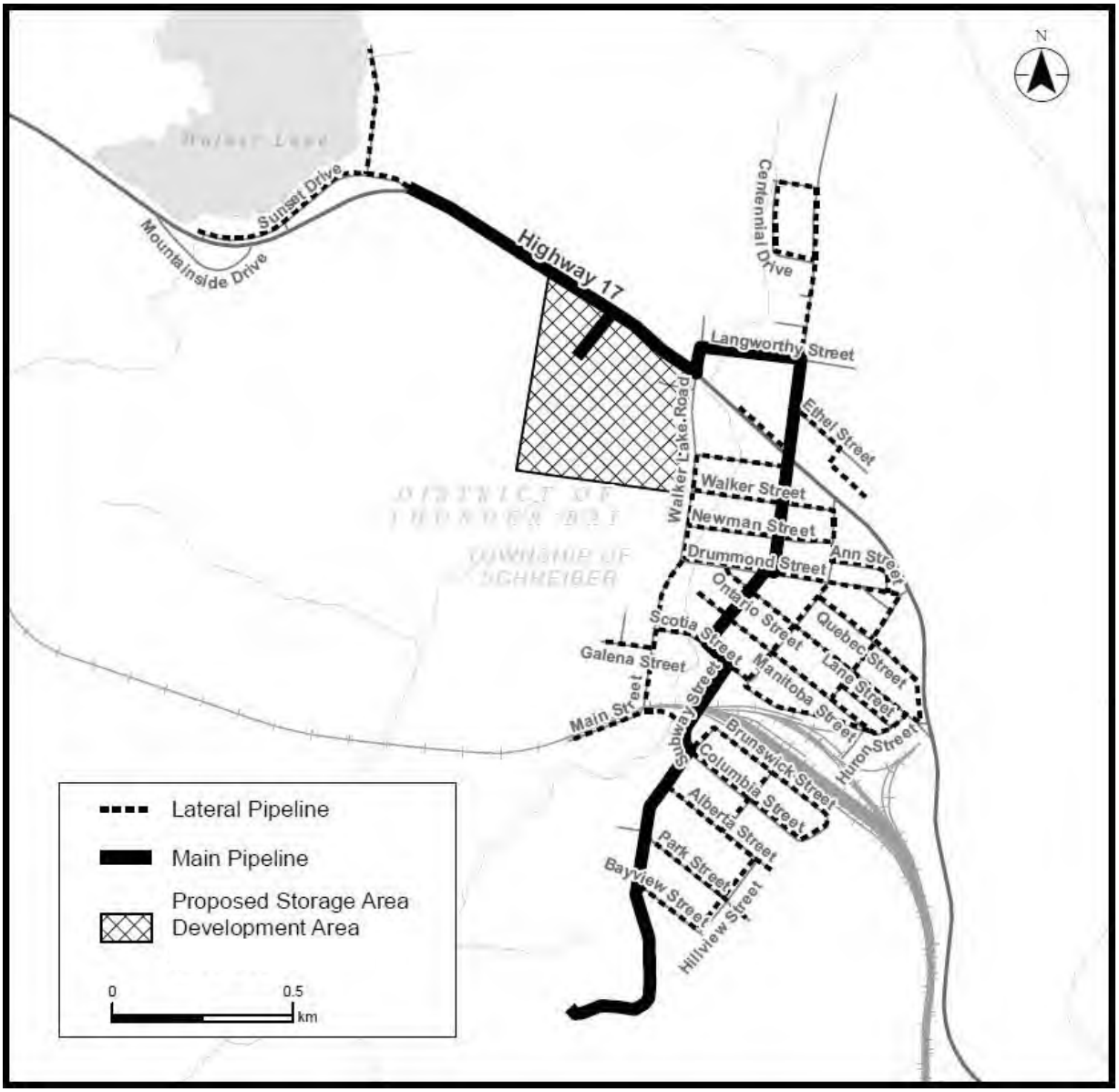
9.1 Manitouwadge



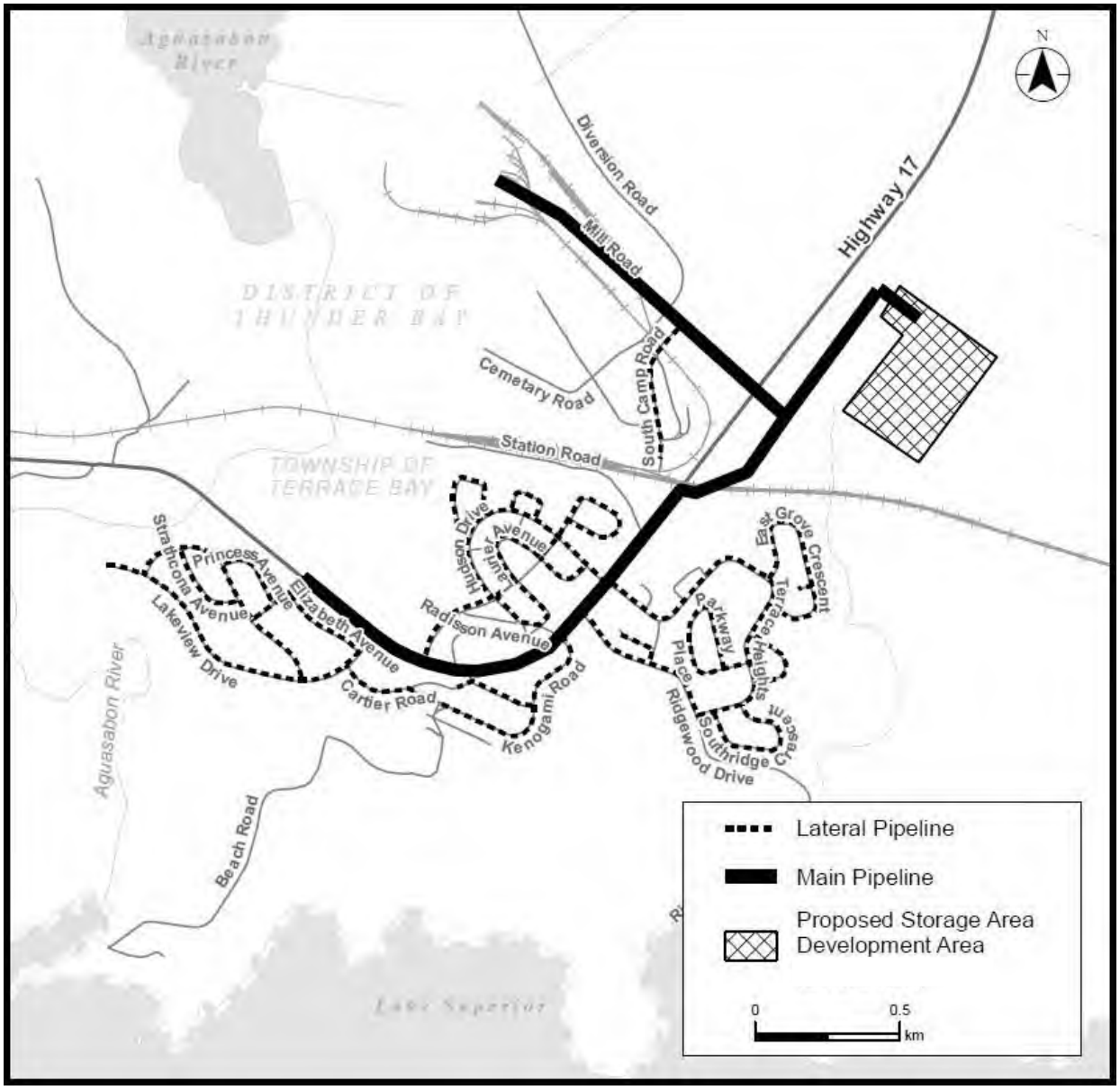
9.2 Marathon


Lateral Pipeline
Main Pipeline
Proposed Storage Area
Development Area
0 0.5 1 km
Highway 17
Peninsula Road
See Inset Map
Inset Map
Lake Superior
Penn Lake
Wilton Street
McKenzie Street
Ontario Street
Coveney Street
Jackson Crescent
Bastedo Crescent
Birch Drive
Michanol Drive
Radisson Crescent
Cedar Walk
Lemi Lake Road
Godfrey Drive
Pinewood
Chisholm Trail
Crowy Court
Ross Avenue
Hawkey Avenue
Stevens Avenue
Sund Crescent
Seaman Drive
Nicolet Drive
Hemlo Drive
Howe Street
Van Horne
0 0.5 km

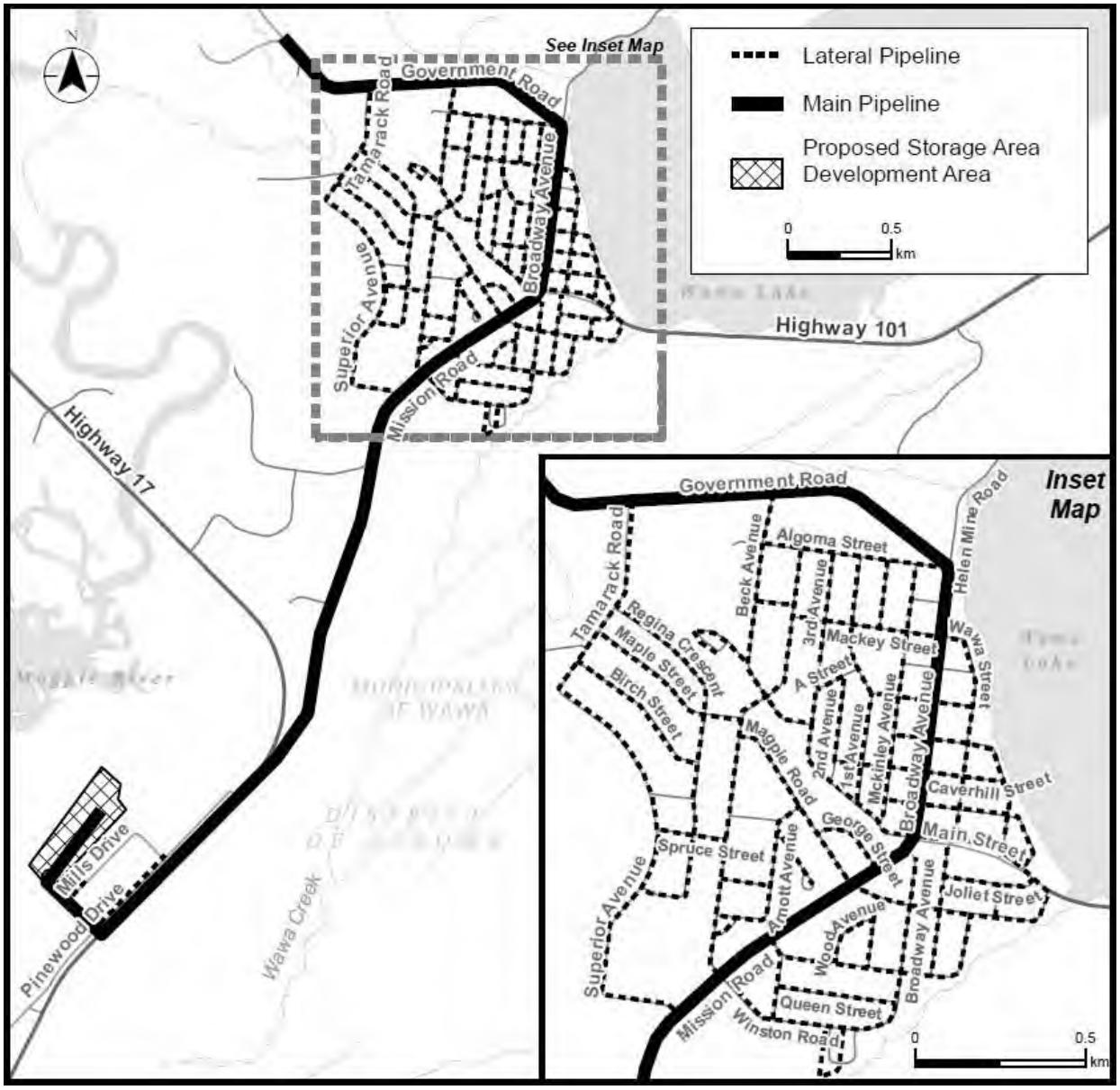
9.3 Schreiber



9.4 Terrace Bay

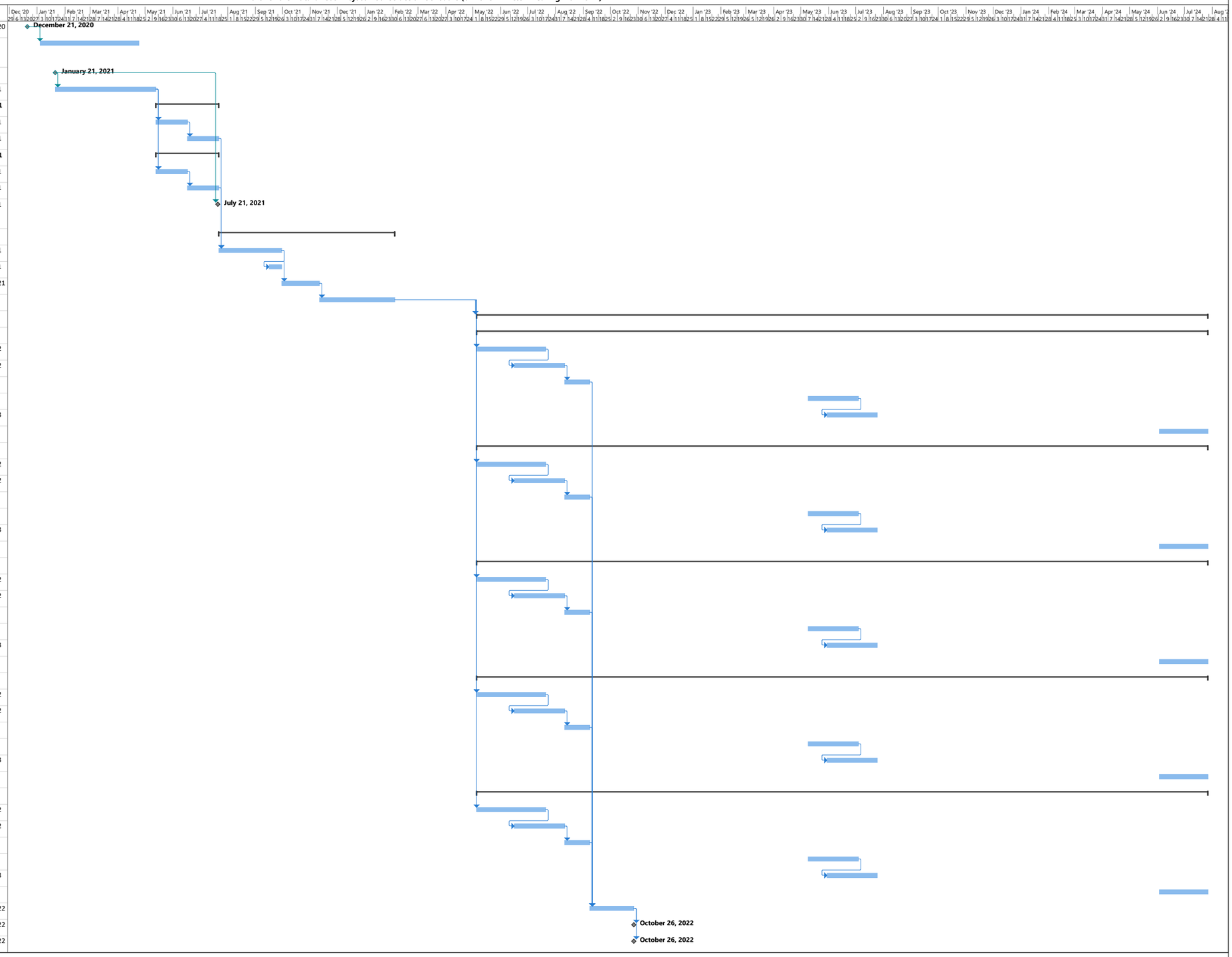


9.5 Wawa


N
See Inset Map
Lateral Pipeline
Main Pipeline
Proposed Storage Area
Development Area
0
0.5
km
Government Road
Tamarack Road
Broadway Avenue
Superior Avenue
Mission Road
Highway 101
Highway 17
Inset Map
Algoma Street
Beck Avenue
3rd Avenue
Helen Mine Road
Regina Crescent
Maple Street
Birch Street
Mackey Street
A Street
Wawa Street
Magpie Road
2nd Avenue
1st Avenue
McKinley Avenue
Caverhill Street
Main Street
George Street
Spruce Street
Arnott Avenue
Joliet Street
Wood Avenue
Queen Street
Winston Road
Mill Is Drive
Pinewood Drive
Wawa Creek

North Shore Natural Gas Project - Construction Schedule (6 Month Written Hearing from OEB)

ID	Task Name	Duration	Start	Finish
1	**Receipt of Funding Decision**	0 days	Mon 12/21/20	Mon 12/21/20
2	**Utility Administrative Objectives (Consultation, Financing, Board of Directors, Staff)**	4 mons	Mon 1/4/21	Fri 4/23/21
3	**Filing of Phase 2 Application to OEB**	0 days	Thu 1/21/21	Thu 1/21/21
4	**Permitting (Highway Encroachment, Environmental Monitoring Plan, etc.)**	4 mons	Thu 1/21/21	Wed 5/12/21
5	**Survey Contractor**	**50 days**	**Thu 5/13/21**	**Wed 7/21/21**
6	Procure Contractor	5 wks	Thu 5/13/21	Wed 6/16/21
7	Field Work and Reporting	5 wks	Thu 6/17/21	Wed 7/21/21
8	**Geotechnical Contractor**	**50 days**	**Thu 5/13/21**	**Wed 7/21/21**
9	Procure Contractor	5 wks	Thu 5/13/21	Wed 6/16/21
10	Field Work and Reporting	5 wks	Thu 6/17/21	Wed 7/21/21
11	**Proposed OEB Decision and Order for Phase 2 Application (6 Month Performance Standard Based on Written Hearing) - Leave To Construct Approval**	0 days	Wed 7/21/21	Wed 7/21/21
12	**Infastructure Design**	**140 days**	**Thu 7/22/21**	**Wed 2/2/22**
13	Detailed Design	10 wks	Thu 7/22/21	Wed 9/29/21
14	Order Long Lead Equipment	10 days	Thu 9/16/21	Wed 9/29/21
15	Issue for Construction Package	6 wks	Thu 9/30/21	Wed 11/10/21
16	Procure Contractor	12 wks	Thu 11/11/21	Wed 2/2/22
17	**Infastructure Construction**	**582 days**	**Thu 5/5/22**	**Fri 7/26/24**
18	**Marathon Distribution System**	**582 days**	**Thu 5/5/22**	**Fri 7/26/24**
19	Install Backbone/Main	11 wks	Thu 5/5/22	Wed 7/20/22
20	Install Balance of 2022 Mains	8 wks	Thu 6/16/22	Wed 8/10/22
21	Install 2022 Services	4 wks	Thu 8/11/22	Wed 9/7/22
22	Install Balance of 2023 Mains	8 wks	Tue 5/9/23	Mon 7/3/23
23	Install 2023 Services	8 wks	Tue 5/30/23	Mon 7/24/23
24	Install 2024 Services	8 wks	Mon 6/3/24	Fri 7/26/24
25	**Schreiber Distribution System**	**582 days**	**Thu 5/5/22**	**Fri 7/26/24**
26	Install Backbone/Main	11 wks	Thu 5/5/22	Wed 7/20/22
27	Install Balance of 2022 Mains	8 wks	Thu 6/16/22	Wed 8/10/22
28	Install 2022 Services	4 wks	Thu 8/11/22	Wed 9/7/22
29	Install Balance of 2023 Mains	8 wks	Tue 5/9/23	Mon 7/3/23
30	Install 2023 Services	8 wks	Tue 5/30/23	Mon 7/24/23
31	Install 2024 Services	8 wks	Mon 6/3/24	Fri 7/26/24
32	**Wawa Distribution System**	**582 days**	**Thu 5/5/22**	**Fri 7/26/24**
33	Install Backbone/Main	11 wks	Thu 5/5/22	Wed 7/20/22
34	Install Balance of 2022 Mains	8 wks	Thu 6/16/22	Wed 8/10/22
35	Install 2022 Services	4 wks	Thu 8/11/22	Wed 9/7/22
36	Install Balance of 2023 Mains	8 wks	Tue 5/9/23	Mon 7/3/23
37	Install 2023 Services	8 wks	Tue 5/30/23	Mon 7/24/23
38	Install 2024 Services	8 wks	Mon 6/3/24	Fri 7/26/24
39	**Manitouwadge Distribution System**	**582 days**	**Thu 5/5/22**	**Fri 7/26/24**
40	Install Backbone/Main	11 wks	Thu 5/5/22	Wed 7/20/22
41	Install Balance of 2022 Mains	8 wks	Thu 6/16/22	Wed 8/10/22
42	Install 2022 Services	4 wks	Thu 8/11/22	Wed 9/7/22
43	Install Balance of 2023 Mains	8 wks	Tue 5/9/23	Mon 7/3/23
44	Install 2023 Services	8 wks	Tue 5/30/23	Mon 7/24/23
45	Install 2024 Services	8 wks	Mon 6/3/24	Fri 7/26/24
46	**Terrace Bay Distribution System**	**582 days**	**Thu 5/5/22**	**Fri 7/26/24**
47	Install Backbone/Main	11 wks	Thu 5/5/22	Wed 7/20/22
48	Install Balance of 2022 Mains	8 wks	Thu 6/16/22	Wed 8/10/22
49	Install 2022 Services	4 wks	Thu 8/11/22	Wed 9/7/22
50	Install Balance of 2023 Mains	8 wks	Tue 5/9/23	Mon 7/3/23
51	Install 2023 Services	8 wks	Tue 5/30/23	Mon 7/24/23
52	Install 2024 Services	8 wks	Mon 6/3/24	Fri 7/26/24
53	**Commissioning 2022 Services**	7 wks	Thu 9/8/22	Wed 10/26/22
54	**System Operational for 2022 Customers**	0 days	Wed 10/26/22	Wed 10/26/22
55	**2022 Construction Complete**	0 days	Wed 10/26/22	Wed 10/26/22



Project No: 860551-0071 (4.0)
Date: Tue 9/22/20

Task, Split, Milestone, Summary, Project Summary, Inactive Task, Inactive Milestone, Inactive Summary, Manual Task, Duration-only, Manual Summary Rollup, Manual Summary, Start-only, Finish-only, External Tasks, External Milestone, Deadline, Progress, Manual Progress

[redacted]
Thunder Bay – Superior North
Ontario

August 4, 2020

Mr. Daryl Skworchinski
Chief Administrative Officer/Clerk
Corporation of the Town of Marathon
Marathon, ON P0T 2E0

RE: Northshore Natural Gas Project – EB-2018-0329

Dear Mr. Skworchinski:

As MPP for Thunder Bay-Superior North, I am writing to indicate my support for the above referenced project and Lakeshore Natural Gas Inc., the utility wholly owned by the Town of Marathon, the Townships of Terrace Bay, Schreiber and Manitouwadge and the Municipality of Wawa, as they work to bring a new natural gas supply to homes and businesses in communities located on the North Shore of Lake Superior.

Energy costs are a critical issue for all residents and businesses located in this part of Northern Ontario. The need for an economic and reliable natural gas supply has never been greater. The prospect of accessing natural gas not only represents long-term energy stability, but presents new socio-economic opportunities, environmental benefits, and enhanced community prosperity.

As you continue down the path of developing this innovative and transformational "made in the North" project, I look forward to further engagement and working collaboratively to bring a safe and affordable supply of natural gas to residential, commercial, institutional and industrial customers in Northwestern Ontario. As MPP for Thunder Bay-Superior North, I support this ambitious energy project, and will express my full support.

Sincerely,

[redacted]

Michael Gravelle, MPP
Thunder Bay – Superior North

The Corporation of the
TOWNSHIP OF MANITOUWADGE
1 Mississauga Drive
Manitouwadge, Ontario
P0T 2C0
Telephone (807) 826 3227 Fax (807) 826 4592

July 29, 2020

Mr. Daryl Skworchinski, CAO/Clerk
Corporation of the Town of Marathon
Marathon, ON P0T 2E0

RE: Northshore Natural Gas Project – EB-2018-0329

Dear Mr. Skworchinski:

Please accept this letter of support for the above referenced project and Lakeshore Natural Gas Inc., the utility ("**Utility**") that is wholly owned by the Town of Marathon, the Townships of Terrace Bay, Schreiber and Manitouwadge and the Municipality of Wawa (together, the "**Municipalities**"). The municipalities have been working to bring a new natural gas supply to homes and businesses in communities located on the north shore of Lake Superior for several years.

Energy costs are a critical issue for all residents and businesses located in this part of Northern Ontario. The need for an economic and reliable natural gas supply has never been greater. The prospect of accessing natural gas not only represents long-term energy stability, but presents new socio-economic opportunities, environmental benefits, and enhanced community prosperity for all residents, but particularly for our most vulnerable citizens living on fixed incomes.

As we continue down the path of developing this innovative and transformational "Made in the North" project, the Township of Manitouwadge looks forward to further engagement and working collaboratively with our municipal partners to bring a safe and affordable supply of natural gas to residential, commercial, institutional and industrial customers in Northwestern Ontario.

[redacted]

July 31, 2020

Mr. Daryl Skworchinski
Chief Administrative Officer/Clerk
Corporation of the Town of Marathon
Marathon, ON P0T 2E0

RE: Northshore Natural Gas Project – EB-2018-0329
Application to Expand Access to Natural Gas Distribution Program

Dear Daryl:

On behalf of Municipal Council of the Corporation of the Municipality of Wawa, I am writing to indicate our organization's full support for the above referenced project and Lakeshore Natural Gas Inc., the Utility that is wholly owned by the Town of Marathon, the Townships of Terrace Bay, Schreiber and Manitouwadge and the Municipality of Wawa (together, the "Municipalities"), as we all work to bring a new natural gas supply to homes and businesses in small, rural communities located on the north shore of Lake Superior.

Our joint project to expand natural gas to five communities in northeastern Ontario should be considered an eligible project for consideration under the Expand Access to Natural Gas Distribution program and any available government funding to further increase access to natural gas by making additional new projects eligible for ratepayer funded financial support.

Energy costs are very high in our communities negatively impacting business and industrial retention and attraction efforts. The need for affordable and a reliable natural gas supply is paramount to ensuring our area is sustainable in the future and we can become competitive and grow our regional economy.

The Municipality of Wawa wholly supports and application to the OEB and Ontario government to support the Lakeshore Natural Gas project.

Sincerely,

[redacted]

P.O. BOX 500, 40 BROADWAY AVENUE, WAWA, ONTARIO, P0S 1K0
Telephone: (705) 856-2244, Fax: (705) 856-2120, Website: www.wawa.cc

The Corporation of the Town of Marathon
4 Hemlo Drive, P.O. Bag TM
Marathon, Ontario P0T 2E0
mayor@marathon.ca
Phone: (807) 229-1340 Ext. 2224
Fax: (807) 229-1999
www.marathon.ca

OFFICE OF THE MAYOR
File No. 3-75

July 29, 2020

RE: Northshore Natural Gas Project – EB-2018-0329

To Whom it May Concern:

On behalf of the Town of Marathon, I am writing to indicate our organization's support for the above referenced project and Lakeshore Natural Gas Inc., the utility ("Utility") that is wholly owned by the Town of Marathon, the Townships of Terrace Bay, Schreiber and Manitouwadge and the Municipality of Wawa (together, the "Municipalities"), as they work to bring a new natural gas supply to homes and businesses in communities located on the north shore of Lake Superior.

Energy costs are a critical issue for all residents and businesses located in this part of Northern Ontario. The need for an economic and reliable natural gas supply has never been greater. The prospect of accessing natural gas not only represents long-term energy stability, but presents new socio-economic opportunities, environmental benefits, and enhanced community prosperity.

This innovative and transformational "made in the north" project, will without question bring a safe and affordable supply of natural gas to residential, commercial, institutional and industrial customers in northwestern Ontario. It cannot be missed nor understated how valuable this project will be to the residents of Northern Ontario who currently are not serviced with natural gas.

Sincerely,

[redacted]

M:\3-75 (Council)\Correspondence\Mayor\2020\let_0729.Natural Gas Support.doc

respect
respect. works here.

CORPORATION OF THE

TOWNSHIP OF SCHREIBER

OFFICE OF THE CAO/CLERK

2020-07-31

To whom it may concern,

The Township of Schreiber greatly supports this application to fund the Lakeshore Natural Gas - North Shore Gas Project. The securement of a virtual natural gas pipeline connection through Schreiber, Terrace Bay, Marathon, Manitouage and Wawa is vital for the long-term economic growth and prosperity for North Shore Lake Superior. Existing hydro-electric heating costs are a major barrier to residents and businesses locating within the aforementioned five communities. The provision of affordable natural gas will break down this barrier, thus, reducing the bottom line for residents and businesses and ensuring that North Shore Lake Superior is open for business.

[redacted]

PO Box 40 • 204 Alberta Street • Schreiber, Ontario • P0T 2S0
Phone 807-824-2711 ex 225 • E-mail • cao@schreiber.ca
Fax 807-824-3231
Visit us @ www.schreiber.ca

The Corporation of the Township of Terrace Bay
P.O. Box 40, 1 Selkirk Avenue, Terrace Bay, ON, P0T 2W0
Phone: (807) 825-3315 **Fax:** (807) 825-9576

July 30, 2020

Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON
M4P 1E4

RE: Northshore Natural Gas Project – EB-2018-0329

To whom it may concern,

On behalf of the Corporation of the Township of Terrace Bay, I am writing to indicate our support of the grant application to the Ontario Energy Board for the funding of the above referenced project and Lakeshore Natural Gas Inc., the utility ("**Utility**") that is wholly owned by the Town of Marathon, the Townships of Terrace Bay, Schreiber and Manitouwadge and the Municipality of Wawa (together, the "**Municipalities**"), to Expand Natural Gas Distribution in Northern Ontario.

As one of the owners of the Utility and municipalities in Northwestern Ontario that has for decades endured substantially high energy costs, the Township of Terrace Bay attests to the critical need for an economic and reliable natural gas supply to improve overall quality of life in the region. The prospect of accessing natural gas not only represents long-term energy stability, but also presents new socio-economic opportunities, environmental benefits, and enhanced community prosperity for homeowners and businesses situated on the north shore of Lake Superior.

Through this letter, the Corporation of the Township of Terrace Bay acknowledges the specific roles and responsibilities in accordance with this partnership. We look forward to further engagement and working collaboratively with the Municipalities to bring a safe and affordable supply of natural gas to residential, commercial, institutional and industrial users within northwestern Ontario.

46 Pinewood Drive, Wawa, Ontario, P0S 1K0
705-856-2244
hello@hwy17motel.com

July 29, 2020

Mr. Daryl Skworchinski
Chief Administrative Officer/Clerk
Corporation of the Town of Marathon
Marathon, ON P0T 2E0

RE: Northshore Natural Gas Project – EB-2018-0329

Dear Mr. Skworchinski:

On behalf of HWY 17 Motel, I am writing to indicate our organization's support for the above referenced project and Lakeshore Natural Gas Inc., the utility ("**Utility**") that is wholly owned by the Town of Marathon, the Townships of Terrace Bay, Schreiber and Manitouwadge and the Municipality of Wawa (together, the "**Municipalities**"), as they work to bring a new natural gas supply to homes and businesses in communities located on the north shore of Lake Superior.

Energy costs are a critical issue for all residents and businesses located in this part of Northern Ontario. The need for an economic and reliable natural gas supply has never been greater. The prospect of accessing natural gas not only represents long-term energy stability, but presents new socio-economic opportunities, environmental benefits, and enhanced community prosperity.

As you continue down the path of developing this innovative and transformational "made in the north" project, we look forward to further engagement and working collaboratively to bring a safe and affordable supply of natural gas to residential, commercial, institutional and industrial customers in northwestern Ontario.

[redacted]
President, HWY 17 Motel.

BASIC BUILDING SUPPLY INC.
179 Mission Road, PO Box 588 Wawa,
Ontario, P0S 1K0

July 29, 2020

Mr. Daryl Skworchinski
Chief Administrative Officer/Clerk
Corporation of the Town of Marathon
Marathon, ON P0T 2E0

RE: Northshore Natural Gas Project – EB-2018-0329

Dear Mr. Skworchinski:

On behalf of Basic Building Supply, I am writing to indicate our organization's support for the above referenced project and Lakeshore Natural Gas Inc., the utility ("**Utility**") that is wholly owned by the Town of Marathon, the Townships of Terrace Bay, Schreiber and Manitouwadge and the Municipality of Wawa (together, the "**Municipalities**"), as they work to bring a new natural gas supply to homes and businesses in communities located on the north shore of Lake Superior.

Energy costs are a critical issue for all residents and businesses located in this part of Northern Ontario. The need for an economic and reliable natural gas supply has never been greater. The prospect of accessing natural gas not only represents long-term energy stability, but presents new socio-economic opportunities, environmental benefits, and enhanced community prosperity.

As you continue down the path of developing this innovative and transformational "made in the north" project, we look forward to further engagement and working collaboratively to bring a safe and affordable supply of natural gas to residential, commercial, institutional and industrial customers in northwestern Ontario.

President, Basic Building Supply Inc.

27 July, 2020

Mr. Jon Hall
Chief Administrative Officer/Clerk
Corporation of the Township of Terrace Bay
Terrace Bay, ON P0T 2W0

RE: Northshore Natural Gas Project – EB-2018-0329

Dear [redacted]

On behalf of the Drifters Motel & Restaurant, I am writing to indicate our organization's support for the above referenced project and Lakeshore Natural Gas Inc., the utility ("**Utility**") that is wholly owned by the Town of Marathon, the Townships of Terrace Bay, Schreiber and Manitouwadge and the Municipality of Wawa (together, the "**Municipalities**"), as they work to bring a new natural gas supply to homes and businesses in communities located on the north shore of Lake Superior.

Energy costs are a critical issue for all residents and businesses located in this part of Northern Ontario. The need for an economic and reliable natural gas supply has never been greater. The prospect of accessing natural gas not only represents long-term energy stability, but presents new socio-economic opportunities, environmental benefits, and enhanced community prosperity.

As you continue down the path of developing this innovative and transformational "made in the north" project, we look forward to further engagement and working collaboratively to bring a safe and affordable supply of natural gas to residential, commercial, institutional and industrial customers in northwestern Ontario.

[redacted]

NORTH OF SUPERIOR
HEALTH CARE GROUP

28 July, 2020

Mr. Jon Hall
Chief Administrative Officer/Clerk
Corporation of the Township of Terrace Bay
Terrace Bay, ON P0T 2W0

RE: Northshore Natural Gas Project – EB-2018-0329

Dear [redacted]

On behalf of North of Superior Health Care Group (NOSH), McCausland Hospital site in Terrace Bay, I am writing to indicate our organization's support for the above referenced project and Lakeshore Natural Gas Inc., the utility ("**Utility**") that is wholly owned by the Town of Marathon, the Townships of Terrace Bay, Schreiber and Manitouwadge and the Municipality of Wawa (together, the "**Municipalities**"), as they work to bring a new natural gas supply to homes and businesses in communities located on the north shore of Lake Superior.

Energy costs are a critical issue for all residents and businesses located in this part of Northern Ontario. The need for an economic and reliable natural gas supply has never been greater. The prospect of accessing natural gas not only represents long-term energy stability, but presents new socio-economic opportunities, environmental benefits, and enhanced community prosperity.

As you continue down the path of developing this innovative and transformational "made in the north" project, we look forward to further engagement and working collaboratively to bring a safe and affordable supply of natural gas to residential, commercial, institutional and industrial customers in northwestern Ontario.

[redacted]

Terrace Bay Superior Seniors
P.O. Box 1208,13 Selkirk Avenue,
Terrace Bay, Ontario P0T 2W0
Phone: 807-825-3315 Ext. 244 or 245
Email: seniors@terracebay.ca

28 July, 2020

[redacted]
Chief Administrative Officer/Clerk
Corporation of the Township of Terrace Bay
Terrace Bay, ON P0T 2W0

RE: Northshore Natural Gas Project – EB-2018-0329

Dear [redacted]

On behalf of the Terrace Bay Superior Seniors Club, I am writing to indicate our organization's support for the above referenced project and Lakeshore Natural Gas Inc., the utility ("**Utility**") that is wholly owned by the Town of Marathon, the Townships of Terrace Bay, Schreiber and Manitouwadge and the Municipality of Wawa (together, the "**Municipalities**"), as they work to bring a new natural gas supply to homes and businesses in communities located on the north shore of Lake Superior.

Energy costs are a critical issue for all residents and businesses located in this part of Northern Ontario. The need for an economic and reliable natural gas supply has never been greater. The prospect of accessing natural gas not only represents long-term energy stability, but presents new socio-economic opportunities, environmental benefits, and enhanced community prosperity.

As you continue down the path of developing this innovative and transformational "made in the north" project, we look forward to further engagement and working collaboratively to bring a safe and affordable supply of natural gas to residential, commercial, institutional and industrial customers in northwestern Ontario.

Sincerely,

[redacted]
Terrace Bay Superior Seniors' Club

Small Schools Make a Difference

July 27, 2020

[redacted]
Chief Administrative Officer/Clerk
Corporation of the Township of Terrace Bay
Terrace Bay, ON P0T 2W0

RE: Northshore Natural Gas Project – EB-2018-0329

[redacted]

On behalf of Superior-Greenstone District School Board, I am writing to indicate our organization's support for the above referenced project and Lakeshore Natural Gas Inc., the utility ("**Utility**") that is wholly owned by the Town of Marathon, the Townships of Terrace Bay, Schreiber and Manitouwadge and the Municipality of Wawa (together, the "**Municipalities**"), as they work to bring a new natural gas supply to homes and businesses in communities located on the north shore of Lake Superior.

Energy costs are a critical issue for all residents and businesses located in this part of Northern Ontario. The need for an economic and reliable natural gas supply has never been greater. The prospect of accessing natural gas not only represents long-term energy stability, but presents new socio-economic opportunities, environmental benefits, and enhanced community prosperity.

As you continue down the path of developing this innovative and transformational "made in the north" project, we look forward to further engagement and working collaboratively to bring a safe and affordable supply of natural gas to residential, commercial, institutional and industrial customers in northwestern Ontario.

Sincerely,

[redacted]
Director of Education
Superior-Greenstone District School Board

P.O. Bag A, 12 Hemlo Drive, Marathon, ON P0T 2E0
phone: 807-229-0436 | fax: 807-229-1471 | www.sgdsb.on.ca

SUPERIOR NORTH CATHOLIC DISTRICT SCHOOL BOARD

17 Cartier Drive
Box 610
Terrace Bay, ON
P0T 2W0

Phone: 807-825-3209
Fax: 807-825-3885
www.sncdsb.on.ca

27 July, 2020

[redacted]
Chief Administrative Officer/Clerk
Corporation of the Township of Terrace Bay
Terrace Bay, ON P0T 2W0

RE: Northshore Natural Gas Project – EB-2018-0329

Dear [redacted],

On behalf of Superior North Catholic District School, I am writing to indicate our organization's support for the above-referenced project and Lakeshore Natural Gas Inc., the utility ("Utility") that is wholly owned by the Town of Marathon, the Townships of Terrace Bay, Schreiber and Manitouwadge and the Municipality of Wawa (together, the "Municipalities"), as they work to bring a new natural gas supply to homes and businesses in communities located on the north shore of Lake Superior.

Energy costs are a critical issue for all residents and businesses located in this part of Northern Ontario. The need for an economic and reliable natural gas supply has never been greater. The prospect of accessing natural gas not only represents long-term energy stability, but presents new socio-economic opportunities, environmental benefits, and enhanced community prosperity.

As you continue down the path of developing this innovative and transformational "made in the north" project, we look forward to further engagement and working collaboratively to bring a safe and affordable supply of natural gas to residential, commercial, institutional and industrial customers in northwestern Ontario.

Sincerely,

[redacted]
Director of Education

GM Canada Since 1929

SPADONI MOTORS LTD.
P.O. BOX 100, 1260 HWY 17
TERRACE BAY, ONTARIO P0T 2W0

Terrace Bay (807) 825-4561
Toll Free 1-800-465-3360
Fax (807) 825-9604
www.spadonimotors.ca

BUICK • CHEVROLET • GMC & CHEV TRUCKS

27 July, 2020

[redacted]
Chief Administrative Officer/Clerk
Corporation of the Township of Terrace Bay
Terrace Bay, ON P0T 2W0

RE: Northshore Natural Gas Project – EB-2018-0329

Dear [redacted]

On behalf of Spadoni Motors, I am writing to indicate our organization's support for the above referenced project and Lakeshore Natural Gas Inc., the utility ("**Utility**") that is wholly owned by the Town of Marathon, the Townships of Terrace Bay, Schreiber and Manitouwadge and the Municipality of Wawa (together, the "**Municipalities**"), as they work to bring a new natural gas supply to homes and businesses in communities located on the north shore of Lake Superior.

Energy costs are a critical issue for all residents and businesses located in this part of Northern Ontario. The need for an economic and reliable natural gas supply has never been greater. The prospect of accessing natural gas not only represents long-term energy stability, but presents new socio-economic opportunities, environmental benefits, and enhanced community prosperity.

As you continue down the path of developing this innovative and transformational "made in the north" project, we look forward to further engagement and working collaboratively to bring a safe and affordable supply of natural gas to residential, commercial, institutional and industrial customers in northwestern Ontario

Sincerely,

[redacted]
Dealer Operator

Wawa
Economic Development

96 Broadway Avenue
PO Box # 63
Wawa, ON, P0S 1K0
PH: (705) 856-4419 • FX: (705) 856-2655
www.edcwawa.ca

July 22, 2020

Mr. Daryl Skworchinski
Chief Administrative Officer/Clerk
Corporation of the Town of Marathon
Marathon, ON, P0T 2E0

RE: Northshore Natural Gas Project – EB-2018-0329

Dear Mr. Skworchinski:

On behalf of the Economic Development Corporation of Wawa, I am writing to indicate our organization's support for the above referenced project and Lakeshore Natural Gas Inc., the utility ("**Utility**") that is wholly owned by the Town of Marathon, the Townships of Terrace Bay, Schreiber and Manitouwadge and the Municipality of Wawa (together, the "**Municipalities**"), as they work to bring a new natural gas supply to homes and businesses in communities located on the north shore of Lake Superior.

Energy costs are a critical issue for all residents and businesses located in this part of Northern Ontario. The need for an economic and reliable natural gas supply has never been greater. The prospect of accessing natural gas not only represents long-term energy stability, but presents new socio-economic opportunities, environmental benefits, and enhanced community prosperity.

As you continue down the path of developing this innovative and transformational "made in the north" project, we look forward to further engagement and working collaboratively to bring a safe and affordable supply of natural gas to residential, commercial, institutional and industrial customers in northwestern Ontario.

Sincerely,

[redacted]
Chair - EDC Wawa

Cc.
Maury O'Neill CAO / Treasurer Municipality of Wawa
Mayor Ron Rody
File

NORTH OF SUPERIOR
HEALTH CARE GROUP

28 July, 2020

Mr. Daryl Skworchinski
Chief Administrative Officer/Clerk
Corporation of the Town of Marathon
Marathon, ON P0T 2E0

RE: Northshore Natural Gas Project – EB-2018-0329

Dear Mr. Skworchinski,

On behalf of North of Superior Health Care Group (NOSH), Wilson Memorial General Hospital site in Marathon, I am writing to indicate our organization's support for the above referenced project and Lakeshore Natural Gas Inc., the utility ("**Utility**") that is wholly owned by the Town of Marathon, the Townships of Terrace Bay, Schreiber and Manitouwadge and the Municipality of Wawa (together, the "**Municipalities**"), as they work to bring a new natural gas supply to homes and businesses in communities located on the north shore of Lake Superior.

Energy costs are a critical issue for all residents and businesses located in this part of Northern Ontario. The need for an economic and reliable natural gas supply has never been greater. The prospect of accessing natural gas not only represents long-term energy stability, but presents new socio-economic opportunities, environmental benefits, and enhanced community prosperity.

As you continue down the path of developing this innovative and transformational "made in the north" project, we look forward to further engagement and working collaboratively to bring a safe and affordable supply of natural gas to residential, commercial, institutional and industrial customers in northwestern Ontario.

CEO – North of Superior Healthcare Group

PENINSULA MANOR
SENIORS SUPPORTIVE LIVING

28 July, 2020

Mr. Daryl Skworchinski
Chief Administrative Officer/Clerk
Corporation of the Town of Marathon
Marathon, ON P0T 2E0

RE: Northshore Natural Gas Project – EB-2018-0329

Dear Mr. Skworchinski,

On behalf of the Marathon Seniors Supportive Housing Corporation – Peninsula Manor Seniors Assisted Living Facility in Marathon, I am writing to indicate our organization's support for the above referenced project and Lakeshore Natural Gas Inc., the utility ("**Utility**") that is wholly owned by the Town of Marathon, the Townships of Terrace Bay, Schreiber and Manitouwadge and the Municipality of Wawa (together, the "**Municipalities**"), as they work to bring a new natural gas supply to homes and businesses in communities located on the north shore of Lake Superior.

Energy costs are a critical issue for all residents and businesses located in this part of Northern Ontario. The need for an economic and reliable natural gas supply has never been greater. The prospect of accessing natural gas not only represents long-term energy stability, but presents new socio-economic opportunities, environmental benefits, and enhanced community prosperity.

As you continue down the path of developing this innovative and transformational "made in the north" project, we look forward to further engagement and working collaboratively to bring a safe and affordable supply of natural gas to residential, commercial, institutional and industrial customers in northwestern Ontario.

[redacted]
Vice-President – Marathon Seniors Supportive Housing Corporation

24 Peninsula Road
Marathon, ON
P0T 2E0

BARRICK
HEMLO

BARRICK HEMLO
P.O. Bag 500,
Marathon, Ontario P0T 2E0
Canada

Date: July 28/2020

Mr. Daryl Skworchinski
Chief Administrative Officer/Clerk
Corporation of the Town of Marathon
Marathon, Ontario, P0T 2E0

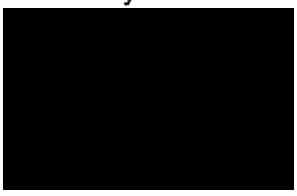
RE: Northshore Natural Gas Project – EB-2018-0329

Dear Mr. Skworchinski:

On behalf of Williams Operating Corporation (Barrick Hemlo) , I am writing to indicate our organization's support for the above referenced project and Lakeshore Natural Gas Inc., the utility ("Utility") that is wholly owned by the Town of Marathon, the Townships of Terrace Bay, Schreiber and Manitouwadge and the Municipality of Wawa (together, the "Municipalities"), as they work to bring a new natural gas supply to homes and businesses in communities located on the north shore of Lake Superior.

Energy costs are a critical issue for all residents and businesses located in this part of Northern Ontario. The need for an economic and reliable natural gas supply has never been greater. The prospect of accessing natural gas not only represents long-term energy stability, but presents new socio-economic opportunities, environmental benefits, and enhanced community prosperity. As you continue down the path of developing this innovative and transformational "made in the north" project, we look forward to further engagement and working collaboratively to bring a safe and affordable supply of natural gas to residential, commercial, institutional and industrial customers in northwestern Ontario.

Sincerely



General Manager, Hemlo

1 Health Care Crescent
Manitouwadge, ON P0T 2C0
T. 807.826.3251 F. 807.826.4216
www.mh.on.ca

Santé Manitouwadge Health

July 20, 2020

[redacted]
Township of Manitouwadge
1 Mississauga Drive, PO Box 910
Manitouwadge, ON P0T 2C0

RE: Natural Gas Services in Manitouwadge

Dear Owen,

Please accept this Letter of Support from Santé Manitouwadge Health for your application to the Ontario Energy Board (OEB) to provide natural gas services to the residents, businesses and institutions located in Manitouwadge, ON.

Santé Manitouwadge Health is an 18-bed capacity hospital located in Manitouwadge and uses 293,842.6 litres of propane per year. Having the option to convert our heating system at the hospital to natural gas will greatly reduce our operating costs and allow us to apply these cost savings directly to patient care, where they are most needed.

The Board of Directors and Administration at Santé Manitouwadge Health fully support your efforts and application with the OEB.

We look forward to hearing good news in the near future in this regard.

Sincerely,

[redacted]

Cc Board of Directors

Thunder Bay Chamber of Commerce

stronger business together

July 3, 2019

Ontario Energy Board
2300 Yonge Street, 27th floor
P.O. Box 2319
Toronto, ON M4P 1E4

To Whom It May Concern:

SUPPORT FOR NORTH SHORE LNG PROJECT

The Thunder Bay Chamber of Commerce welcomes this opportunity to express our support for the proposed North Shore LNG Project that will bring a safe and reliable natural gas supply to homes and businesses along the North Shore of Lake Superior.

The lack of affordable and reliable energy is a significant barrier to economic development and a deterrent to community success in attracting and retaining residents. This collaborative partnership between 5 municipalities and Northeast Midstream LP is focused on making natural gas available to address high energy costs and expand growth opportunities across the region.

The project provides immediate benefits through the investment of $65 million in local distribution infrastructure and the creation of construction related jobs. Once completed the project will create long term employment opportunities and is expected to save residents and businesses $247 million and contribute approximately $73 million to Ontario's GDP over the next 40 years. The successful implementation of this project has the potential to breathe new life into these communities and inspire the development of new and existing business opportunities.

The Thunder Bay Chamber of Commerce fully supports the North Shore LNG Project and the positive economic, environmental and social impacts that this significant investment will have for the entire region.

Sincerely,

[redacted]

President

THUNDER BAY CEDC
COMMUNITY ECONOMIC DEVELOPMENT COMMISSION

P.O. Box 800
Suite 201, 34 Cumberland St. N.
Thunder Bay, ON Canada
P7C 5K4

Phone: 807.625.3960
Toll Free: 1.800.668.9360
Fax: 807.623.3962
develop@thunderbay.ca

Wednesday, July 3, 2019

To Whom It May Concern,

Thunder Bay Community Economic Development Corporation (CEDC) is an arm's length corporation of the City of Thunder Bay. We support projects that contribute to economic development and pursue new opportunities to attract direct financial involvement from government and private sectors.

On behalf of the Thunder Bay CEDC, please accept this letter of support for the North Shore LNG Project. We commend the work of the five North Shore municipalities who are collaborating to bring natural gas to rural Northwestern Ontario communities.

As the largest economic development entity in Northwestern Ontario, Thunder Bay CEDC understands the financial challenges facing business operators across the region and specifically related to energy costs. These challenges hinder businesses of all sizes, and also present barriers to attracting and retaining new investors.

The North Shore LNG Project is an innovative approach to supplying rural municipalities, their residents, institutions and businesses, with a safe and affordable source of natural gas. This is a business model that has tremendous opportunity for expansion to other municipalities and Indigenous communities, and we fully endorse this application to the Ontario Energy Board.

Sincerely,

[redacted]

Thunder Bay Community Economic Development Commission

BIIGTIGONG NISHNAABEG

July 21, 2020

Mr. Daryl Skworchinski
Chief Administrative Officer/Clerk
Corporation of the Town of Marathon
Marathon, ON P0T 2E0

RE: Northshore Natural Gas Project – EB-2018-0329

Dear Mr. Skworchinski:

On behalf of Biigtigong Nishnaabeg, I am writing to indicate our organization's support for the above referenced project and Lakeshore Natural Gas Inc., the utility ("**Utility**") that is wholly owned by the Town of Marathon, the Townships of Terrace Bay, Schreiber and Manitouwadge and the Municipality of Wawa (together, the "**Municipalities**"), as they work to bring a new natural gas supply to homes and businesses in communities located on the north shore of Lake Superior.

Energy costs are a critical issue for all residents and businesses located in this part of Northern Ontario. The need for an economic and reliable natural gas supply has never been greater. The prospect of accessing natural gas not only represents long-term energy stability, but presents new socio-economic opportunities, environmental benefits, and enhanced community prosperity.

As you continue down the path of developing this innovative and transformational "made in the north" project, we look forward to further engagement and working collaboratively to bring a safe and affordable supply of natural gas to residential, commercial, institutional and industrial customers in northwestern Ontario.

Sincerely,

[redacted]

BIIGTIGONG NISHNAABEG

VIA HERON BAY, ONTARIO P0T 1R0 PHONE (807) 229-1749 FAX (807) 229-1944
http://www.picriver.com

RED ROCK INDIAN BAND
Strength. Tradition. Empowerment.

Lake Helen Reserve # 53A
P.O. Box 1030
Nipigon, Ontario P0T 2J0
Tel. (807) 887-2510
Fax (807) 887-3446
Toll Free (877) 887-2510

July 19, 2019

Daryl Skworchinski
Chief Administrative Officer/Clerk and
Director of Economic Development
Town of Marathon
P.O. Box "TM" 4 Hemlo Drive
Marathon, ON, P0T 2E0

Dear Mr. Skworchinski,

On behalf of the Red Rock Indian Band, I am writing to reiterate our community's support for this project and the five North Short Municipalities who are working to bring a new natural gas supply to homes and businesses in Marathon, Terrace Bay, Manitouwadge and Wawa.

Like other communities in our territory, we recognize the need for a reliable natural gas supply to support the energy needs of residents and businesses in this region. Energy costs are a critical issue for all our people and the prospect of accessing natural gas presents new opportunities. We agree that the potential socio-economic and environmental benefits connected to this project are significant and encourage improved community prosperity along the North Shore.

Based on the information we have received to date; the North Shore LNG Project is an innovative model that has been well planned. Red Rock Indian Band therefore supports your application to the Ontario Energy Board (OEB), and we look forward receiving updates as the project unfolds.

[redacted]
Red Rock Indian Band

Cc'd: [redacted] Terrace Bay
[redacted], Schreiber
[redacted] Manitouwadge
[redacted] Wawa

BIIGTIGONG
NISHNAABEG

June 26, 2019

Daryl Skworchinski
Chief Administrative Officer/Clerk and
Director of Economic Development
Town of Marathon
P.O. Box "TM" 4 Hemlo Drive
Marathon, ON, P0T 2E0

Dear Mr. Skworchinski,

Thank you for your recent presentation to our First Nation regarding the proposed North Shore LNG Project.

On behalf of the Biigtigong Nishnaabeg, I am writing to reiterate our community's support for this project and the five North Shore municipalities who are working to bring a new natural gas supply to homes and businesses in Marathon, Terrace Bay, Schreiber, Manitouwadge and Wawa.

Like other communities in our territory, we recognize the need for a reliable natural gas supply to support the energy needs of residents and businesses in this region. Energy costs are a critical issue for all our people and the opportunity of accessing natural gas presents new opportunities. We agree that the potential socio-economic and environmental benefits connected to this project are significant, and encourage improved community prosperity along the North Shore.

Based on your presentation and the information we have received to date; the North Shore LNG Project is an innovative model that has been well planned. Biigtigong Nishnaabeg therefore supports your application to the Ontario Energy Board (OEB) and we look forward to collaborating further with your municipalities as the project unfolds.

Sincerely,

[redacted]

[redacted]
Biigtigong Nishnaabeg

BINGWI NEYAASHI ANISHINAABEK
1 Copper Thunderbird Road, Sandpoint FN, Ontario P0T 2B0
Phone: (807) 623-2724 Fax: (807) 623-2764

June 27, 2019

Daryl Skworchinski
Chief Administrative Officer/Clerk and
Director of Economic Development
Town of Marathon
P.O. Box "TM" 4 Hemlo Drive
Marathon, ON P0T 2E0

Dear Mr. Skworchinski,

On behalf of Bingwi Neyaashi Anishinaabek (Sand Point First Nation), I am writing to express our community's support for the five North Shore municipalities who are working to bring a new natural gas supply to homes and businesses in Marathon, Terrace Bay, Schreiber, Manitouwadge and Wawa through the North Shore LNG Project.

Like other communities in our territory, we recognize the need for a reliable natural gas supply to support the energy needs of residents and businesses in this region. Energy costs are a critical issue for all our people and the opportunity of accessing natural gas presents new opportunities to these north shore municipalities. We agree that the potential socio-economic and environmental benefits connected to this project are significant, and encourage improved community prosperity along the North Shore.

The North Shore LNG Project is an innovative model that appears to be well planned. Bingwi Neyaashi Anishinaabek therefore supports your application to the Ontario Energy Board (OEB) and we look forward to collaborating further with your municipalities as the project unfolds.

[redacted]
Bingwi Neyaashi Anishinaabek

nohfc

Suite 200, Roberta Bondar Place, 70 Foster Drive, Sault Ste. Marie, Ontario P6A 6V8
Tel: 1 705 945-6700 or 1 800 461-8329 @nohfc nohfc.ca

sgfpno

Place Roberta Bondar, 70, promenade Foster, bureau 200, Sault Ste. Marie (Ontario) P6A 6V8
Tél: 1 705 945-6700 ou 1 800 461-8329 @sgfpno sgfpno.ca

RECEIVED
APR 0 9 2018
[redacted]

NOHFC File # 8100372

Board of Directors

Honourable Michael Gravelle - Chair

David Sinclair, Vice Chair

Lorraine Irvine, Vice Chair

Jason Corbett

Robert Fontaine

Victoria Hanson

Geordi Kakepetum

Robert Norris

Marielle Brown

Michael Fox

Carolyn Lane-Rock

James Caicco

James Beatty

Murray Scott

John Simperl

Jeff Perry

Genevieve Knauff

Theresa Mudge

March 23, 2018

Daryl Skworchinski
CAO/Clerk
Town of Marathon
4 Hemlo Drive
PO Box TM
Marathon ON P0T 2E0

Dear Daryl Skworchinski:

I am pleased to advise that the Northern Ontario Heritage Fund Corporation (NOHFC) has approved a conditional contribution in an amount not to exceed three million four hundred and fifty three thousand four hundred and forty three dollars ($3,453,443) to assist with the development of your project – North Shore Gas Distribution – FEED+.

This funding is conditional upon meeting NOHFC's legal and contractual requirements. NOHFC staff will contact you in the near future regarding those matters.

Ministry staff will contact you in the near future to arrange the details for the official announcement. Until then, we ask that you refrain from publicly referencing or announcing your project approval.

On behalf of the Board of Directors, please accept my best wishes.

[redacted]
Chair, Northern Ontario Heritage Fund
Minister of Northern Development and Mines

EB-2018-0329

Certificate of Public Convenience and Necessity

The Ontario Energy Board grants

Lakeshore Natural Gas Inc.

approval under section 8 of the *Municipal Franchises Act,* R.S.O. 1990, c. M.55, as amended, to construct works to supply natural gas to the

Municipality of Wawa

as it is constituted on the date of this Decision and Order.

DATED at _____

ONTARIO ENERGY BOARD

[name]

[title]

EB-2018-0329

Certificate of Public Convenience and Necessity

The Ontario Energy Board grants

Lakeshore Natural Gas Inc.

approval under section 8 of the *Municipal Franchises Act,* R.S.O. 1990, c. M.55, as amended, to construct works to supply natural gas to the

Township of Manitouwadge

as it is constituted on the date of this Decision and Order.

DATED at _____

ONTARIO ENERGY BOARD

[name]

[title]

EB-2018-0329

Certificate of Public Convenience and Necessity

The Ontario Energy Board grants

Lakeshore Natural Gas Inc.

approval under section 8 of the *Municipal Franchises Act,* R.S.O. 1990, c. M.55, as amended, to construct works to supply natural gas to the

Town of Marathon

as it is constituted on the date of this Decision and Order.

DATED at _____

ONTARIO ENERGY BOARD

[name]

[title]

EB-2018-0329

Certificate of Public Convenience and Necessity

The Ontario Energy Board grants

Lakeshore Natural Gas Inc.

approval under section 8 of the *Municipal Franchises Act,* R.S.O. 1990, c. M.55, as amended, to construct works to supply natural gas to the

Township of Schreiber

as it is constituted on the date of this Decision and Order.

DATED at _____

ONTARIO ENERGY BOARD

[name]

[title]

EB-2018-0329

Certificate of Public Convenience and Necessity

The Ontario Energy Board grants

Lakeshore Natural Gas Inc.

approval under section 8 of the *Municipal Franchises Act,* R.S.O. 1990, c. M.55, as amended, to construct works to supply natural gas to the

Township of Terrace Bay

as it is constituted on the date of this Decision and Order.

DATED at _____

ONTARIO ENERGY BOARD

[name]

[title]

Ontario Energy Board

Model Franchise Agreement

THIS AGREEMENT effective this day of May, 2019

BETWEEN:

Town of Marathon

hereinafter called the "Corporation"

- and -

Marathon Economic Development Corporation, for and on behalf of an entity to be formed or corporation to be incorporated

hereinafter called the "Gas Company"

WHEREAS the Gas Company desires to distribute, store and transmit gas in the Municipality upon the terms and conditions of this Agreement;

AND WHEREAS by by-law passed by the Council of the Corporation (the "By-law"), the duly authorized officers have been authorized and directed to execute this Agreement on behalf of the Corporation;

THEREFORE the Corporation and the Gas Company agree as follows:

Part I - Definitions

1. In this Agreement:
    a. "decommissioned" and "decommissions" when used in connection with parts of the gas system, mean any parts of the gas system taken out of active use and purged in accordance with the applicable CSA standards and in no way affects the use of the term 'abandoned' pipeline for the purposes of the *Assessment Act;*

    b. "Engineer/Road Superintendent" means the most senior individual employed by the Corporation with responsibilities for highways within the Municipality or the person designated by such senior employee or such other person as may from time to time be designated by the Council of the Corporation;

c. "gas" means natural gas, manufactured gas, synthetic natural gas, liquefied petroleum gas or propane-air gas, or a mixture of any of them, but does not include a liquefied petroleum gas that is distributed by means other than a pipeline;

d. "gas system" means such mains, plants, pipes, conduits, services, valves, regulators, curb boxes, stations, drips or such other equipment as the Gas Company may require or deem desirable for the distribution, storage and transmission of gas in or through the Municipality;

e. "highway" means all common and public highways and shall include any bridge, viaduct or structure forming part of a highway, and any public square, road allowance or walkway and shall include not only the travelled portion of such highway, but also ditches, driveways, sidewalks, and sodded areas forming part of the road allowance now or at any time during the term hereof under the jurisdiction of the Corporation;

f. "Model Franchise Agreement" means the form of agreement which the Ontario Energy Board uses as a standard when considering applications under the *Municipal Franchises Act*. The Model Franchise Agreement may be changed from time to time by the Ontario Energy Board;

g. "Municipality" means the territorial limits of the Corporation on the date when this Agreement takes effect, and any territory which may thereafter be brought within the jurisdiction of the Corporation;

h. "Plan" means the plan described in Paragraph 5 of this Agreement required to be filed by the Gas Company with the Engineer/Road Superintendent prior to commencement of work on the gas system; and

i. whenever the singular, masculine or feminine is used in this Agreement, it shall be considered as if the plural, feminine or masculine has been used where the context of the Agreement so requires.

Part II - Rights Granted

2. To provide gas service:

   The consent of the Corporation is hereby given and granted to the Gas Company to distribute, store and transmit gas in and through the Municipality to the Corporation and to the inhabitants of the Municipality.

3. To Use Highways.

   Subject to the terms and conditions of this Agreement the consent of the Corporation is hereby given and granted to the Gas Company to enter upon all highways now or at any time hereafter under the jurisdiction of the Corporation and to lay, construct, maintain, replace, remove, operate and repair a gas system for the distribution, storage and transmission of gas in and through the Municipality.

4. Duration of Agreement and Renewal Procedures.

    a. If the Corporation has not previously received gas distribution services, the rights hereby given and granted shall be for a term of 20 years from the date of final passing of the By-law.

    b. At any time within two years prior to the expiration of this Agreement, either party may give notice to the other that it desires to enter into negotiations for a renewed franchise upon such terms and conditions as may be agreed upon. Until such renewal has been settled, the terms and conditions of this Agreement shall continue, notwithstanding the expiration of this Agreement. This shall not preclude either party from applying to the Ontario Energy Board for a renewal of the Agreement pursuant to section 10 of the *Municipal Franchises Act*.

Part III - Conditions

5. Approval of Construction

    a. The Gas Company shall not undertake any excavation, opening or work which will disturb or interfere with the surface of the travelled portion of any highway unless a permit therefor has first been obtained from the Engineer/Road Superintendent and all work done by the Gas Company shall be to his satisfaction.

    b. Prior to the commencement of work on the gas system, or any extensions or changes to it (except service laterals which do not interfere with municipal works in the highway), the Gas Company shall file with the Engineer/Road Superintendent a Plan, satisfactory to the Engineer/Road Superintendent, drawn to scale and of sufficient detail considering the complexity of the specific locations involved, showing the highways in which it proposes to lay its gas system and the particular parts thereof it proposes to occupy.

    c. The Plan filed by the Gas Company shall include geodetic information for a particular location:

        i. where circumstances are complex, in order to facilitate known projects, including projects which are reasonably anticipated by the Engineer/Road Superintendent, or

        ii. when requested, where the Corporation has geodetic information for its own services and all others at the same location.

    d. The Engineer/Road Superintendent may require sections of the gas system to be laid at greater depth than required by the latest CSA standard for gas pipeline systems to facilitate known projects or to correct known highway deficiencies.

    e. Prior to the commencement of work on the gas system, the Engineer/Road Superintendent must approve the location of the work as shown on the Plan filed by the Gas Company, the timing of the work and any terms and conditions relating to the installation of the work.

f. In addition to the requirements of this Agreement, if the Gas Company proposes to affix any part of the gas system to a bridge, viaduct or other structure, if the Engineer/Road Superintendent approves this proposal, he may require the Gas Company to comply with special conditions or to enter into a separate agreement as a condition of the approval of this part of the construction of the gas system.

g. Where the gas system may affect a municipal drain, the Gas Company shall also file a copy of the Plan with the Corporation's Drainage Superintendent for purposes of the *Drainage Act,* or such other person designated by the Corporation as responsible for the drain.

h. The Gas Company shall not deviate from the approved location for any part of the gas system unless the prior approval of the Engineer/Road Superintendent to do so is received.

i. The Engineer/Road Superintendent's approval, where required throughout this Paragraph, shall not be unreasonably withheld.

j. The approval of the Engineer/Road Superintendent is not a representation or warranty as to the state of repair of the highway or the suitability of the highway for the gas system.

6. As Built Drawings.

The Gas Company shall, within six months of completing the installation of any part of the gas system, provide two copies of "as built" drawings to the Engineer/Road Superintendent. These drawings must be sufficient to accurately establish the location, depth (measurement between the top of the gas system and the ground surface at the time of installation) and distance of the gas system. The "as built" drawings shall be of the same quality as the Plan and, if the approved pre-construction plan included elevations that were geodetically referenced, the "as built" drawings shall similarly include elevations that are geodetically referenced. Upon the request of the Engineer/Road Superintendent, the Gas Company shall provide one copy of the drawings in an electronic format and one copy as a hard copy drawing.

7. Emergencies

In the event of an emergency involving the gas system, the Gas Company shall proceed with the work required to deal with the emergency, and in any instance where prior approval of the Engineer/Road Superintendent is normally required for the work, the Gas Company shall use its best efforts to immediately notify the Engineer/Road Superintendent of the location and nature of the emergency and the work being done and, if it deems appropriate, notify the police force, fire or other emergency services having jurisdiction. The Gas Company shall provide the Engineer/Road Superintendent with at least one 24 hour emergency contact for the Gas Company and shall ensure the contacts are current.

8. Restoration

The Gas Company shall well and sufficiently restore, to the reasonable satisfaction of the Engineer/Road Superintendent, all highways, municipal works or improvements which it may excavate or interfere with in the course of laying, constructing, repairing or

removing its gas system, and shall make good any settling or subsidence thereafter caused by such excavation or interference. If the Gas Company fails at any time to do any work required by this Paragraph within a reasonable period of time, the Corporation may do or cause such work to be done and the Gas Company shall, on demand, pay the Corporation's reasonably incurred costs, as certified by the Engineer/Road Superintendent.

9. Indemnification

The Gas Company shall, at all times, indemnify and save harmless the Corporation from and against all claims, including costs related thereto, for all damages or injuries including death to any person or persons and for damage to any property, arising out of the Gas Company operating, constructing, and maintaining its gas system in the Municipality, or utilizing its gas system for the carriage of gas owned by others. Provided that the Gas Company shall not be required to indemnify or save harmless the Corporation from and against claims, including costs related thereto, which it may incur by reason of damages or injuries including death to any person or persons and for damage to any property, resulting from the negligence or wrongful act of the Corporation, its servants, agents or employees.

10. Insurance

a. The Gas Company shall maintain Comprehensive General Liability Insurance in sufficient amount and description as shall protect the Gas Company and the Corporation from claims for which the Gas Company is obliged to indemnify the Corporation under Paragraph 9. The insurance policy shall identify the Corporation as an additional named insured, but only with respect to the operation of the named insured (the Gas Company). The insurance policy shall not lapse or be cancelled without sixty (60) days' prior written notice to the Corporation by the Gas Company.

b. The issuance of an insurance policy as provided in this Paragraph shall not be construed as relieving the Gas Company of liability not covered by such insurance or in excess of the policy limits of such insurance.

c. Upon request by the Corporation, the Gas Company shall confirm that premiums for such insurance have been paid and that such insurance is in full force and effect.

11. Alternative Easement

The Corporation agrees, in the event of the proposed sale or closing of any highway or any part of a highway where there is a gas line in existence, to give the Gas Company reasonable notice of such proposed sale or closing and, if is feasible, to provide the Gas Company with easements over that part of the highway proposed to be sold or closed sufficient to allow the Gas Company to preserve any part of the gas system in its then existing location. In the event that such easements cannot be provided, the Corporation and the Gas Company shall share the cost of relocating or altering the gas system to facilitate continuity of gas service, as provided for in Paragraph 12 of this Agreement.

12. Pipeline Relocation

a. If in the course of constructing, reconstructing, changing, altering or improving any highway or any municipal works, the Corporation deems that it is necessary to take up, remove or change the location of any part of the gas system, the Gas Company shall, upon notice to do so, remove and/or relocate within a reasonable period of time such part of the gas system to a location approved by the Engineer/Road Superintendent.

b. Where any part of the gas system relocated in accordance with this Paragraph is located on a bridge, viaduct or structure, the Gas Company shall alter or relocate that part of the gas system at its sole expense.

c. Where any part of the gas system relocated in accordance with this Paragraph is located other than on a bridge, viaduct or structure, the costs of relocation shall be shared between the Corporation and the Gas Company on the basis of the total relocation costs, excluding the value of any upgrading of the gas system, and deducting any contribution paid to the Gas Company by others in respect to such relocation; and for these purposes, the total relocation costs shall be the aggregate of the following:

   i. the amount paid to Gas Company employees up to and including field supervisors for the hours worked on the project plus the current cost of fringe benefits for these employees,

   ii. the amount paid for rental equipment while in use on the project and an amount, charged at the unit rate, for Gas Company equipment while in use on the project,

   iii. the amount paid by the Gas Company to contractors for work related to the project,

   iv. the cost to the Gas Company for materials used in connection with the project, and

   v. a reasonable amount for project engineering and project administrative costs which shall be 22.5% of the aggregate of the amounts determined in items (i), (ii), (iii) and (iv) above.

d. The total relocation costs as calculated above shall be paid 35% by the Corporation and 65% by the Gas Company, except where the part of the gas system required to be moved is located in an unassumed road or in an unopened road allowance and the Corporation has not approved its location, in which case the Gas Company shall pay 100% of the relocation costs.

Part IV - Procedural And Other Matters

13. Municipal By-laws of General Application

The Agreement is subject to the provisions of all regulating statutes and all municipal by- laws of general application, except by-laws which have the effect of amending this Agreement.

14. Giving Notice

Notices may be delivered to, sent by facsimile or mailed by prepaid registered post to the Gas Company at its head office or to the authorized officers of the Corporation at its municipal offices, as the case may be.

15. Disposition of Gas System

a. If the Gas Company decommissions part of its gas system affixed to a bridge, viaduct or structure, the Gas Company shall, at its sole expense, remove the part of its gas system affixed to the bridge, viaduct or structure.

b. If the Gas Company decommissions any other part of its gas system, it shall have the right, but is not required, to remove that part of its gas system. It may exercise its right to remove the decommissioned parts of its gas system by giving notice of its intention to do so by filing a Plan as required by Paragraph 5 of this Agreement for approval by the Engineer/Road Superintendent. If the Gas Company does not remove the part of the gas system it has decommissioned and the Corporation requires the removal of all or any part of the decommissioned gas system for the purpose of altering or improving a highway or in order to facilitate the construction of utility or other works in any highway, the Corporation may remove and dispose of so much of the decommissioned gas system as the Corporation may require for such purposes and neither party shall have recourse against the other for any loss, cost, expense or damage occasioned thereby. If the Gas Company has not removed the part of the gas system it has decommissioned and the Corporation requires the removal of all or any part of the decommissioned gas system for the purpose of altering or improving a highway or in order to facilitate the construction of utility or other works in a highway, the Gas Company may elect to relocate the decommissioned gas system and in that event

Paragraph 12 applies to the cost of relocation.

16. Use of Decommissioned Gas System

a. The Gas Company shall provide promptly to the Corporation, to the extent such information is known:

i. the names and addresses of all third parties who use decommissioned parts of the gas system for purposes other than the transmission or distribution of gas; and

ii. the location of all proposed and existing decommissioned parts of the gas system used for purposes other than the transmission or distribution of gas.

b. The Gas Company may allow a third party to use a decommissioned part of the gas system for purposes other than the transmission or distribution of gas and may charge a fee for that third party use, provided

   i. the third party has entered into a municipal access agreement with the Corporation; and

   ii. the Gas Company does not charge a fee for the third party's right of access to the highways.

c. Decommissioned parts of the gas system used for purposes other than the transmission or distribution of gas are not subject to the provisions of this Agreement. For decommissioned parts of the gas system used for purposes other than the transmission and distribution of gas, issues such as relocation costs will be governed by the relevant municipal access agreement.

17. Franchise Handbook

The Parties acknowledge that operating decisions sometimes require a greater level of detail than that which is appropriately included in this Agreement. The Parties agree to look for guidance on such matters to the Franchise Handbook prepared by the Association of Municipalities of Ontario and the gas utility companies, as may be amended from time to time.

18. Other Conditions

The Gas Company shall be entitled to assign this Franchise Agreement to any other corporation that shall have acquired all right, title, and interest in and to the gas system concurrently with the assignment of this Agreement, provided that of the assignor shall enter into an assignment agreement with the Corporation, wherein it shall agree to be bound by the provisions of this Agreement and all obligations of the Gas Company as if an original party hereto.

19. Agreement Binding Parties

This Agreement shall extend to, benefit and bind the parties thereto, their successors and assigns, respectively.

IN WITNESS WHEREOF the parties have executed this Agreement effective from the date written above.

THE CORPORATION OF THE TOWN OF MARATHON

By: _____

By: _____

We have authority to bind the corporation

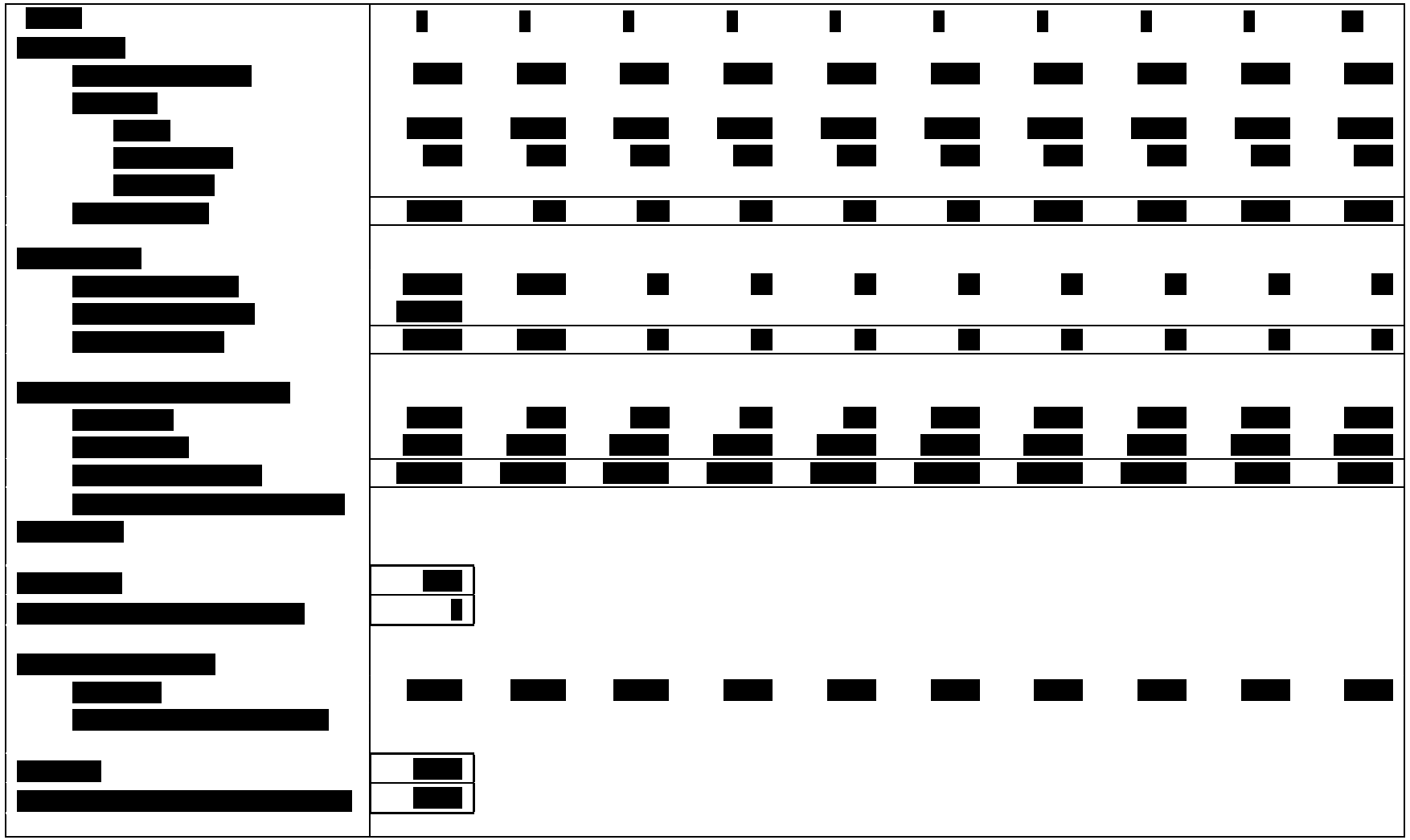
MARATHON ECONOMIC DEVELOPMENT CORPORATION,
for and on behalf of an entity to be formed
or corporation to be incorporated

By: _____

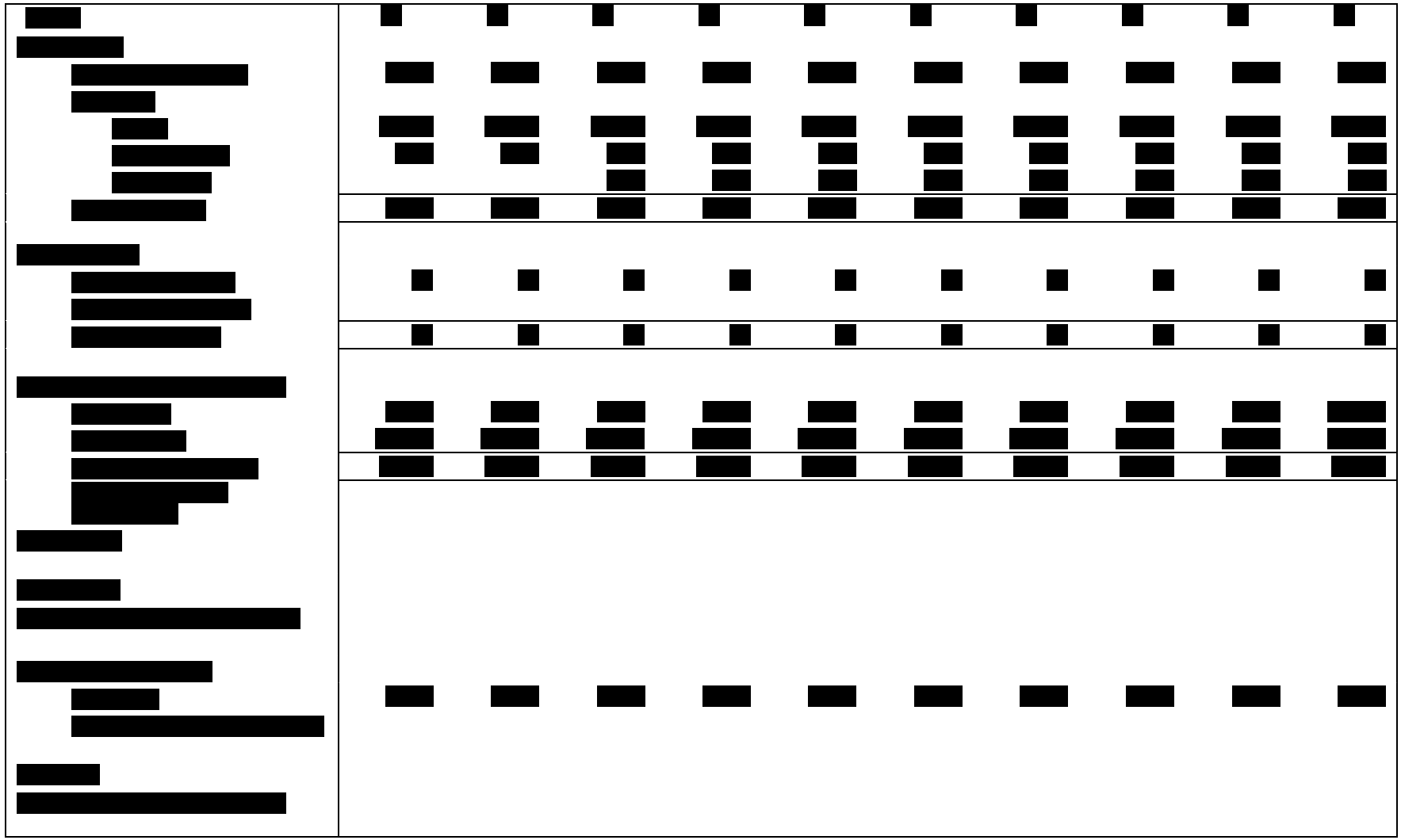
By: _____

We have authority to bind the corporation.

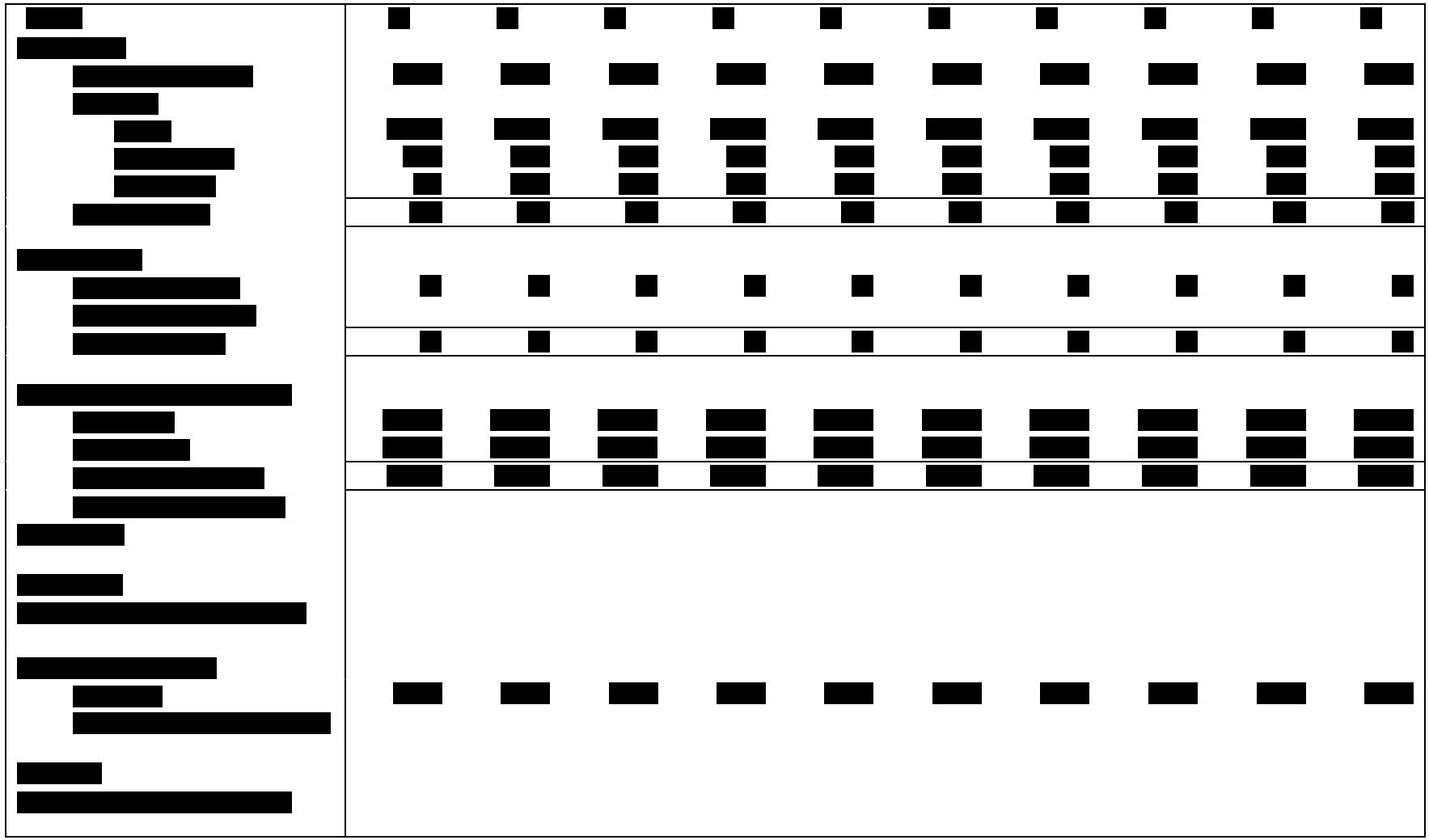
Lakeshore Natural Gas PI Table 1
$38M Section 36.2 Funding – Rates Reset in Year 21
Page 1 of 4



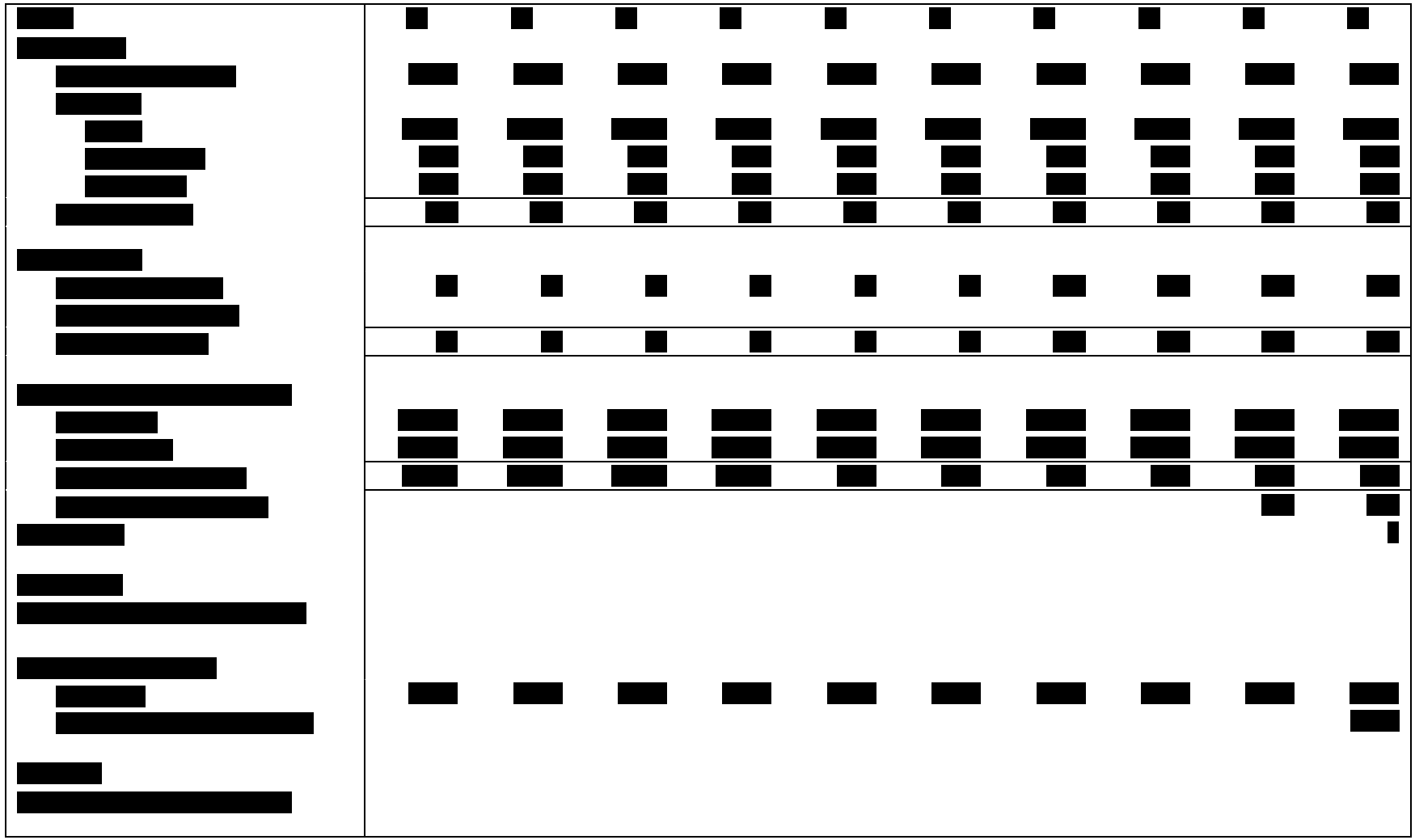
Lakeshore Natural Gas PI Table 1
$38M Section 36.2 Funding – Rates Reset in Year 21
Page 2 of 4



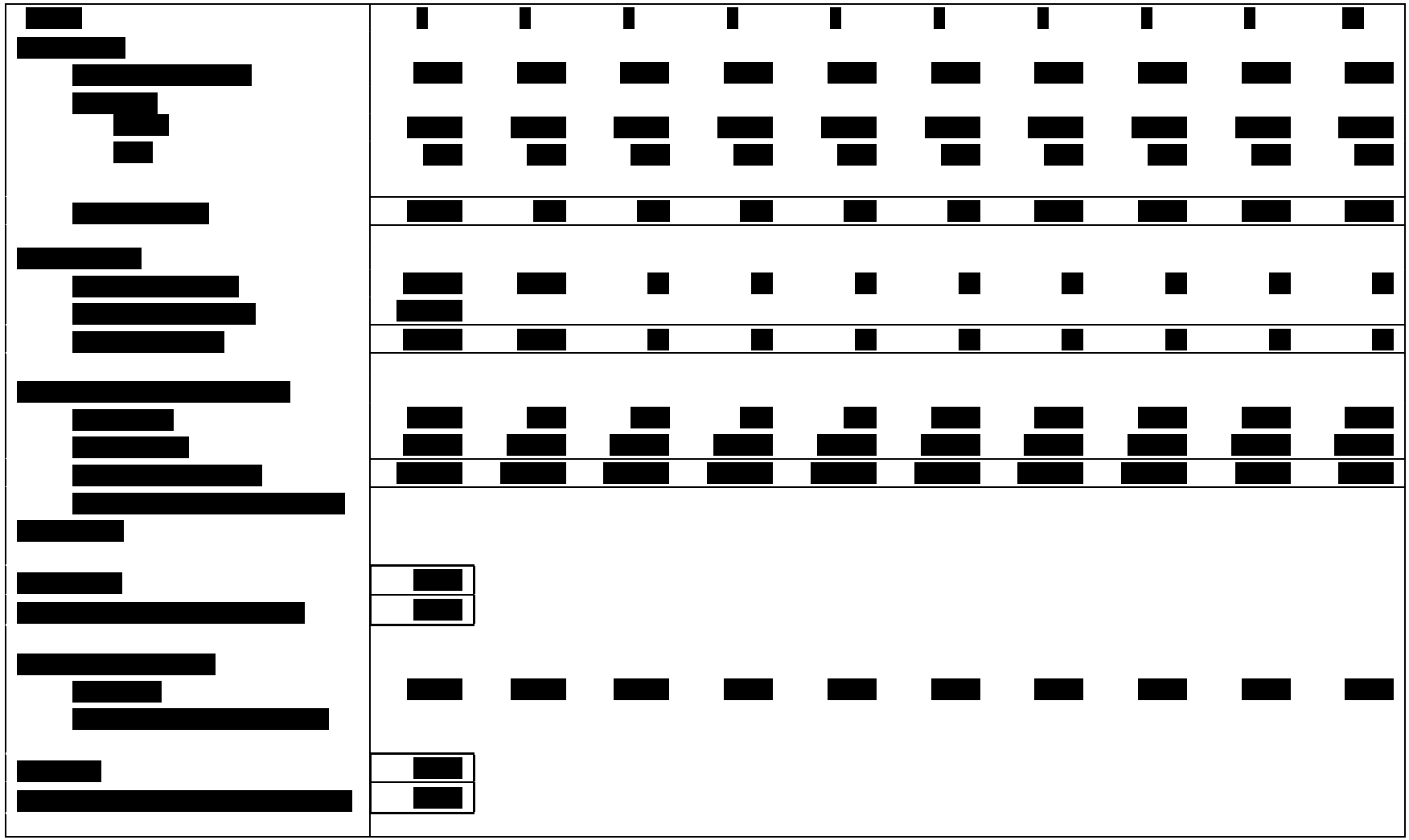
Lakeshore Natural Gas PI Table 1
$38M Section 36.2 Funding – Rates Reset in Year 21
Page 3 of 4



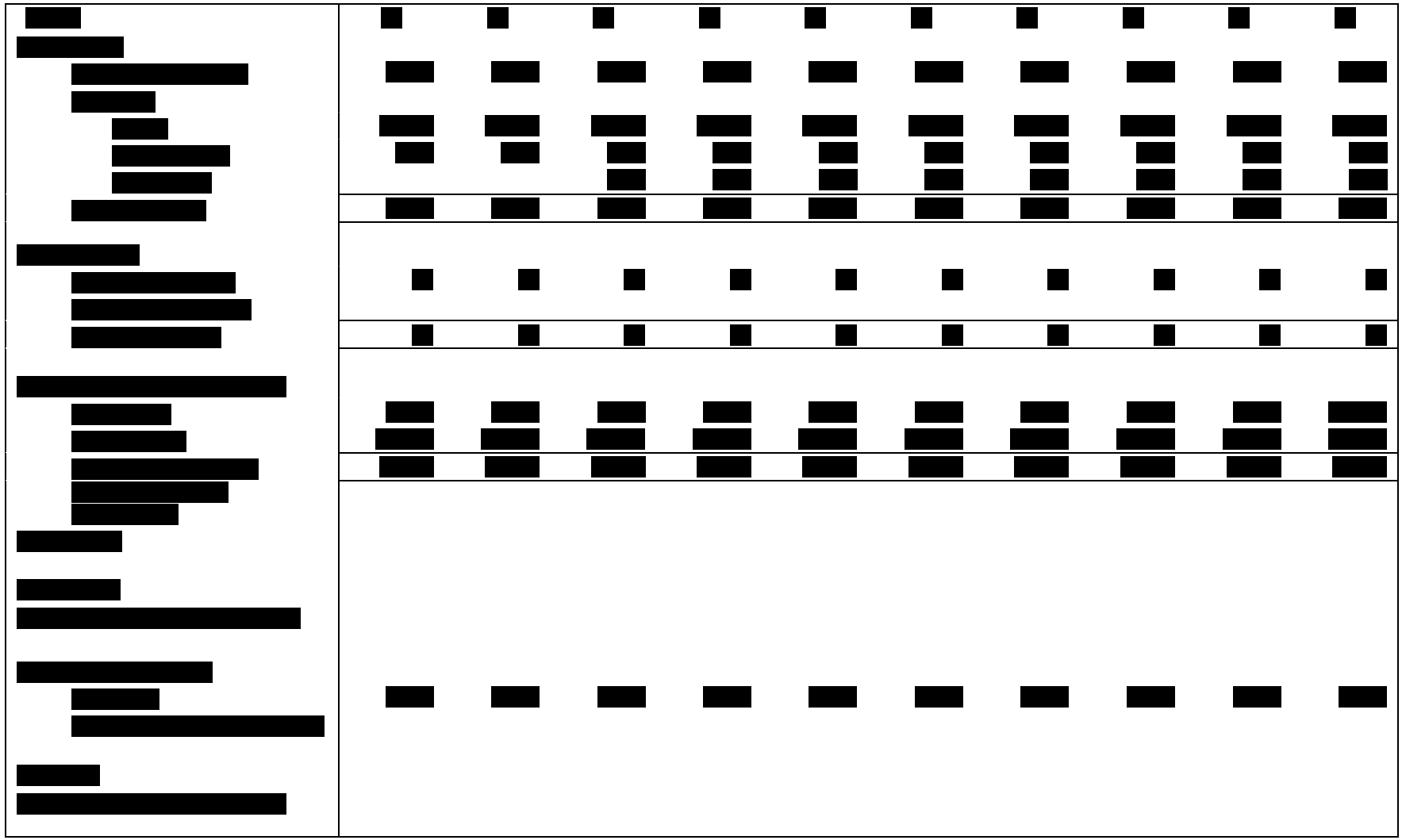
Lakeshore Natural Gas PI Table 1
$38M Section 36.2 Funding – Rates Reset in Year 21
Page 4 of 4



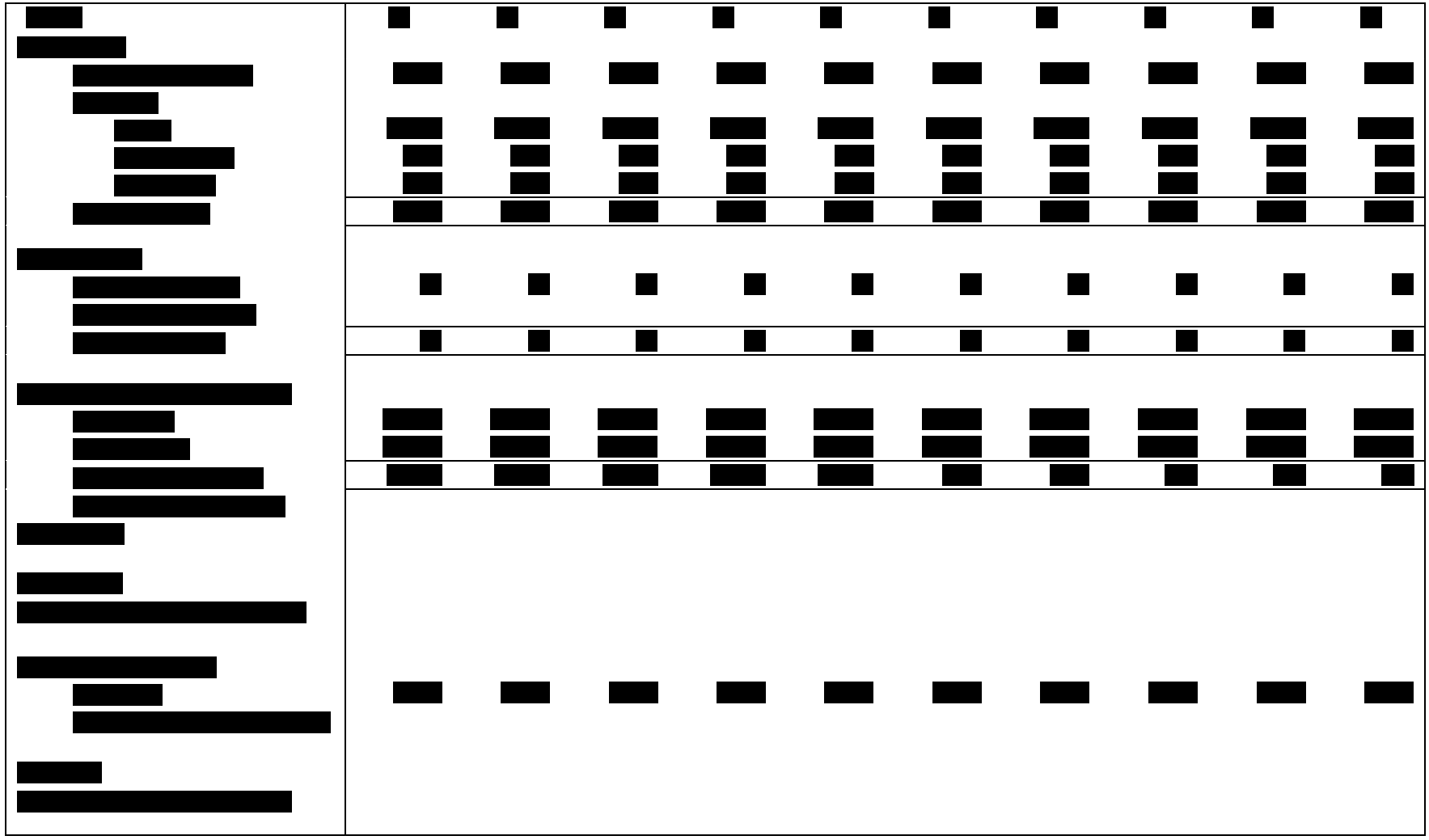
Lakeshore Natural Gas PI Table 2
$38M Section 36.2 Funding – No Rate Reset
Page 1 of 4



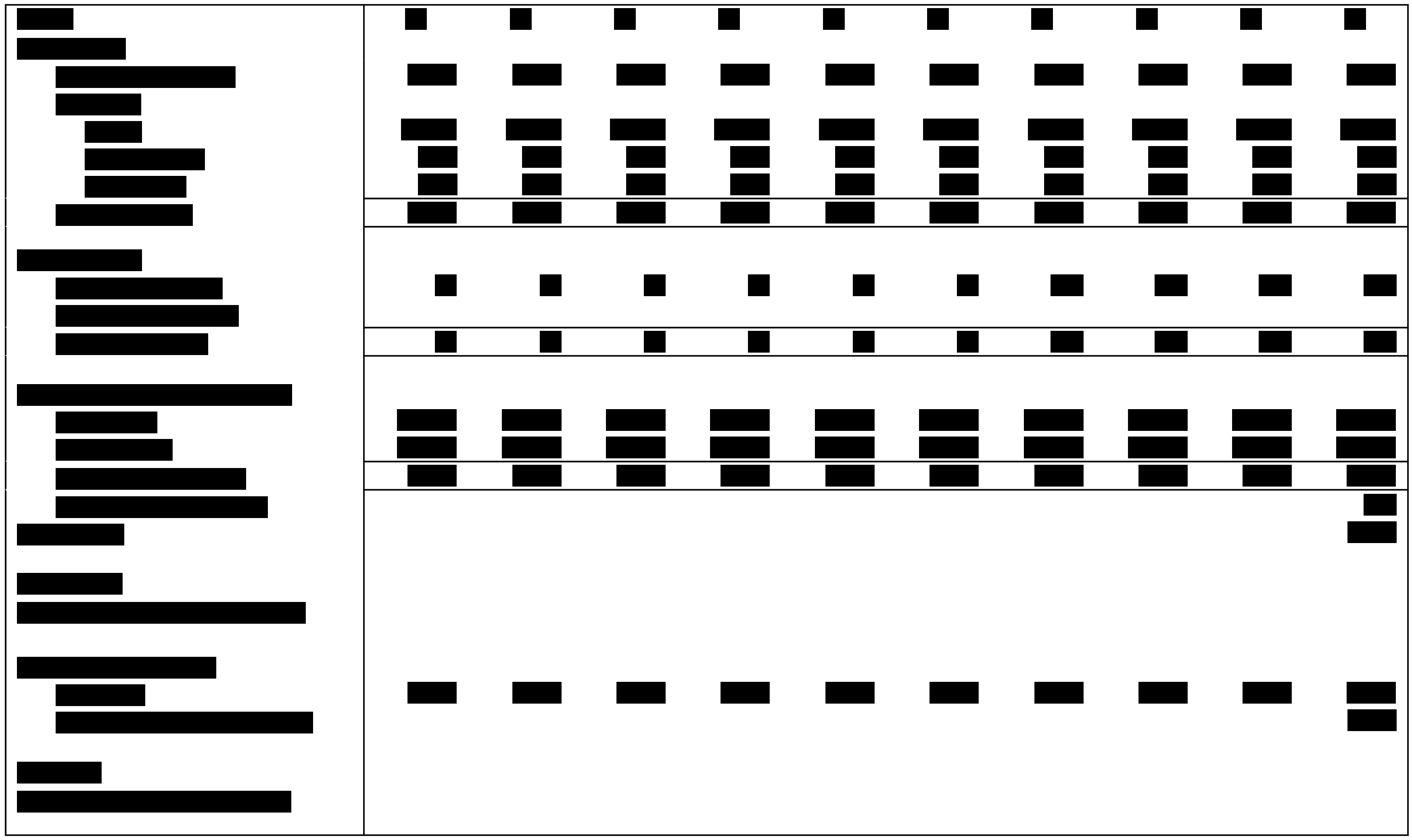
Lakeshore Natural Gas PI Table 2
$38M Section 36.2 Funding – No Rate Reset
Page 2 of 4



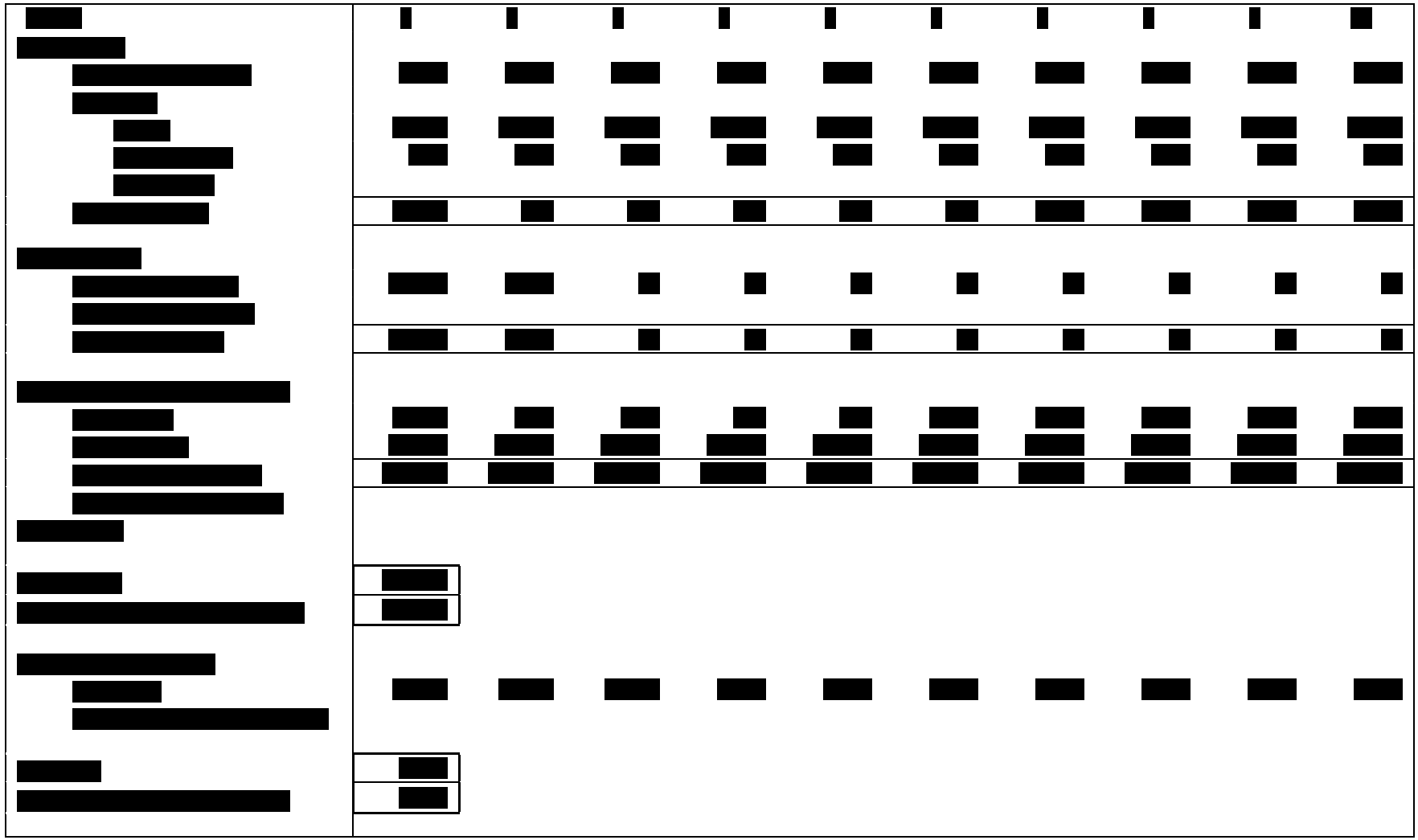
Lakeshore Natural Gas PI Table 2
$38M Section 36.2 Funding – No Rate Reset
Page 3 of 4



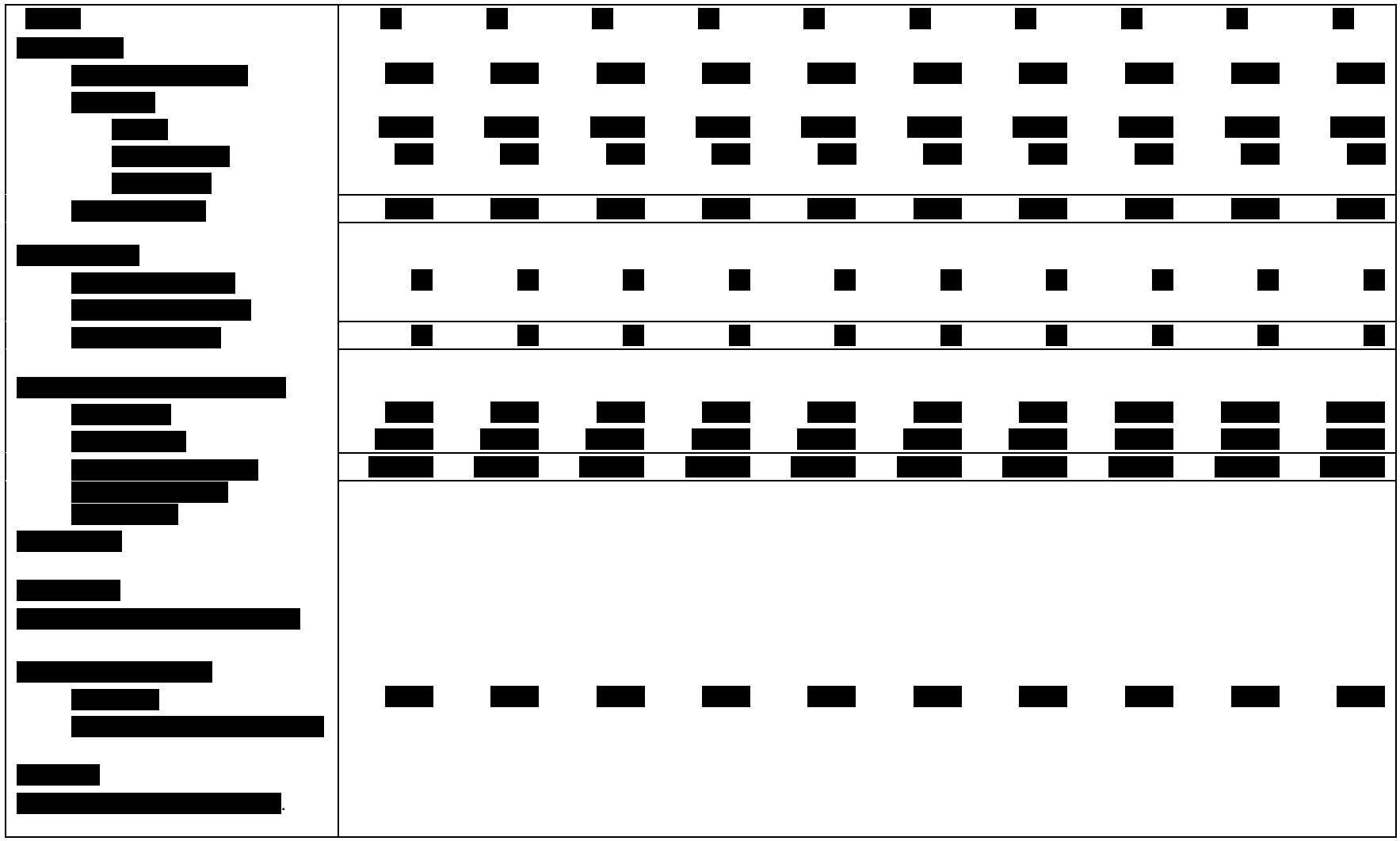
Lakeshore Natural Gas PI Table 2
$38M Section 36.2 Funding – No Rate Reset
Page 4 of 4



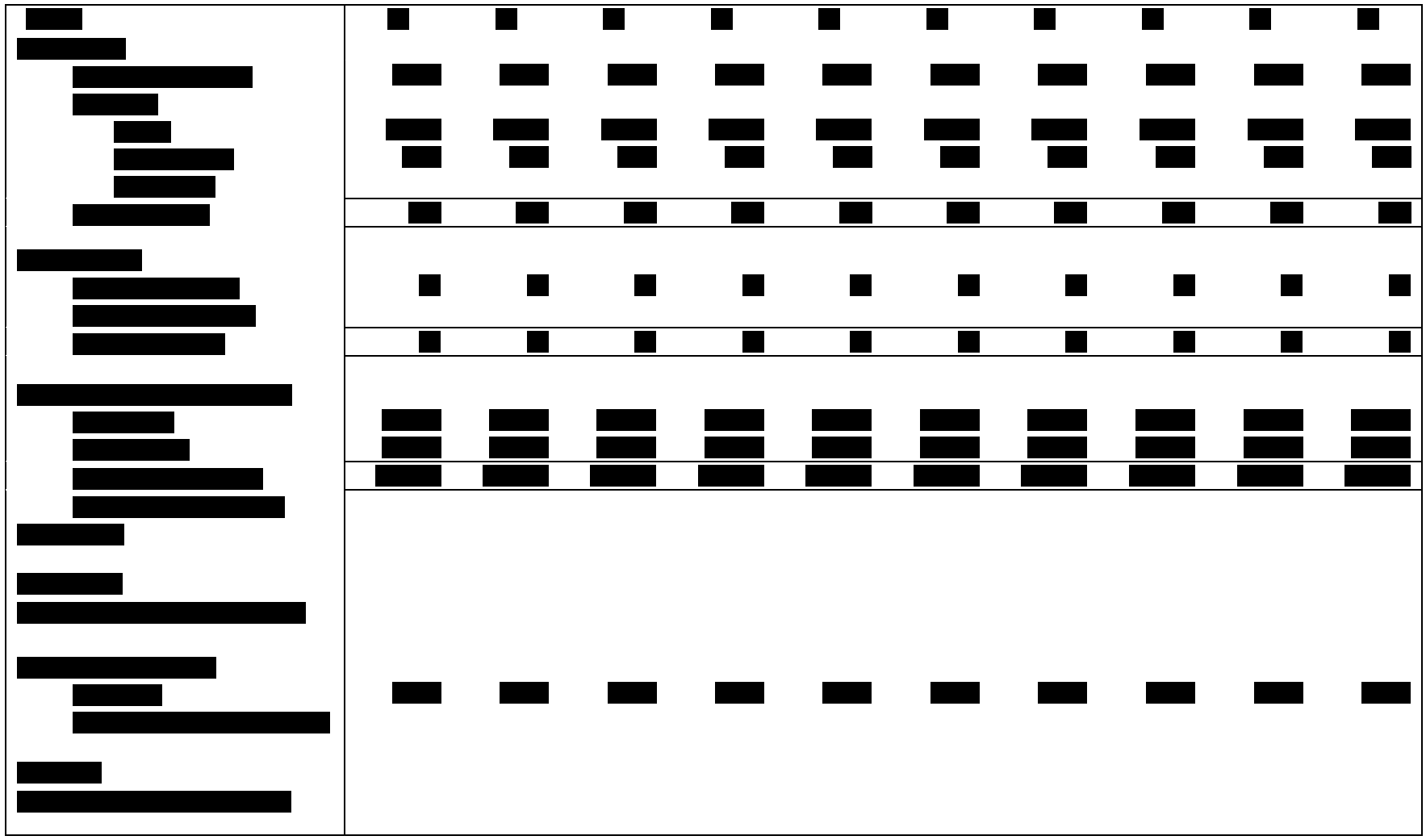
[redacted]



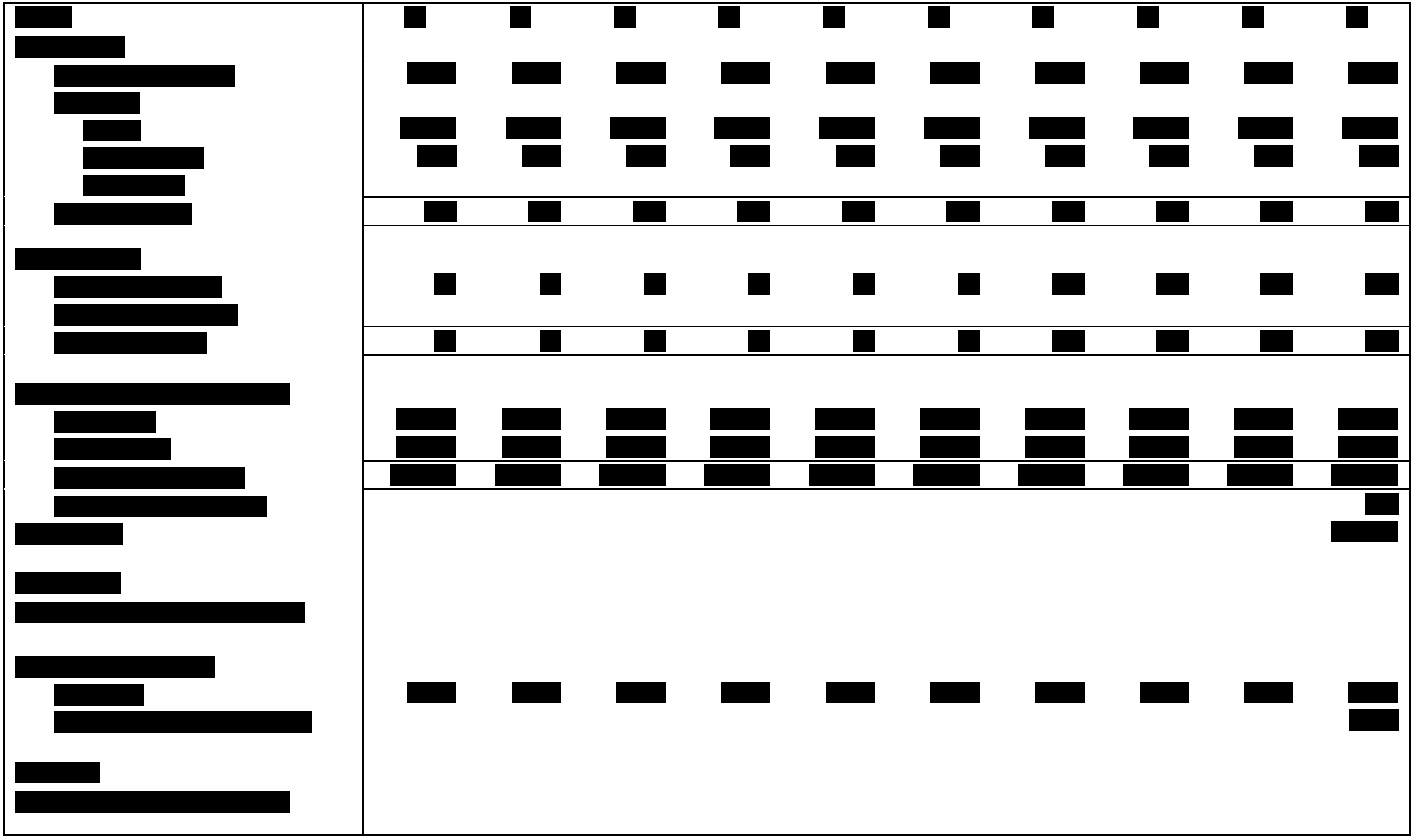
[redacted]



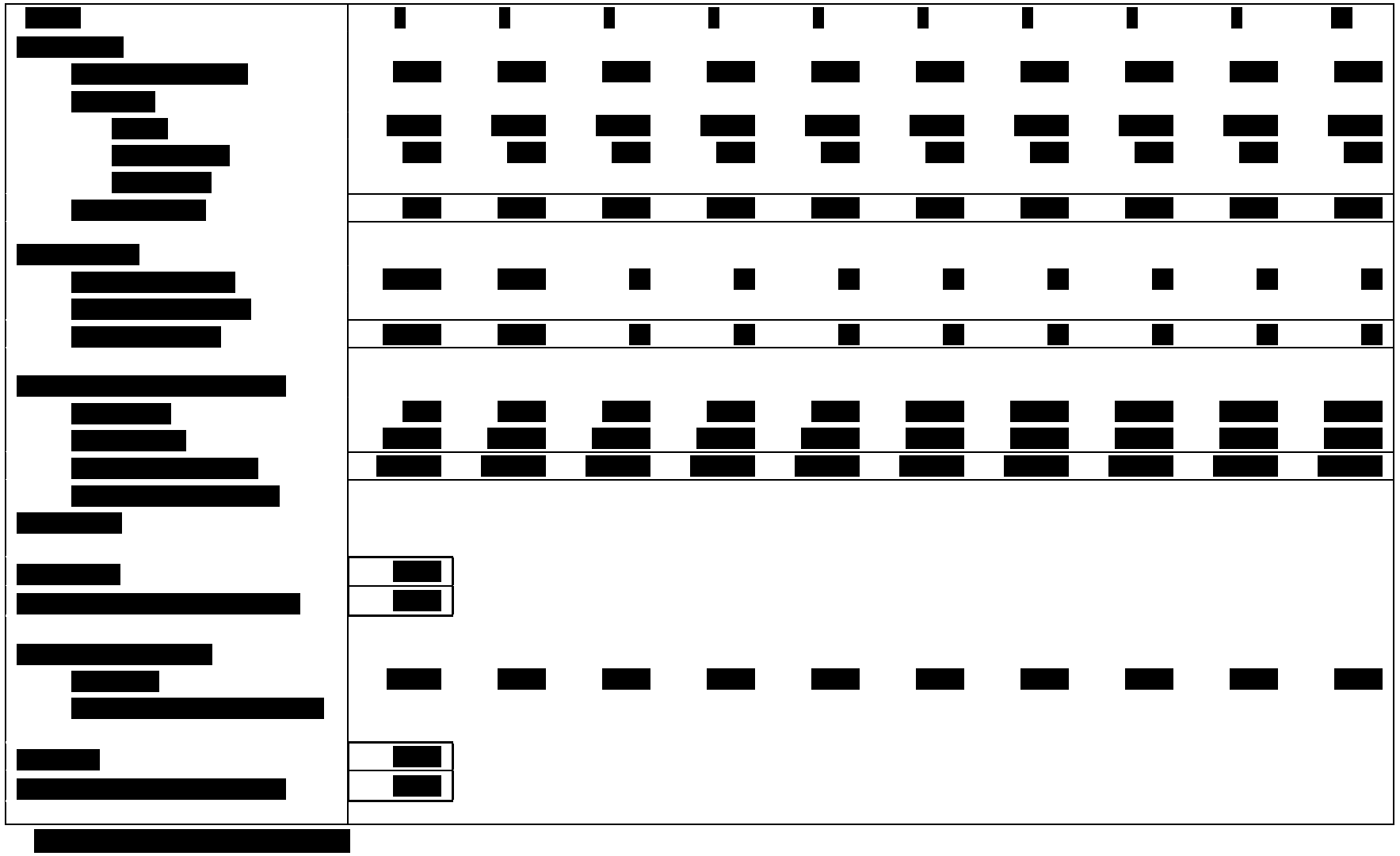
[redacted]



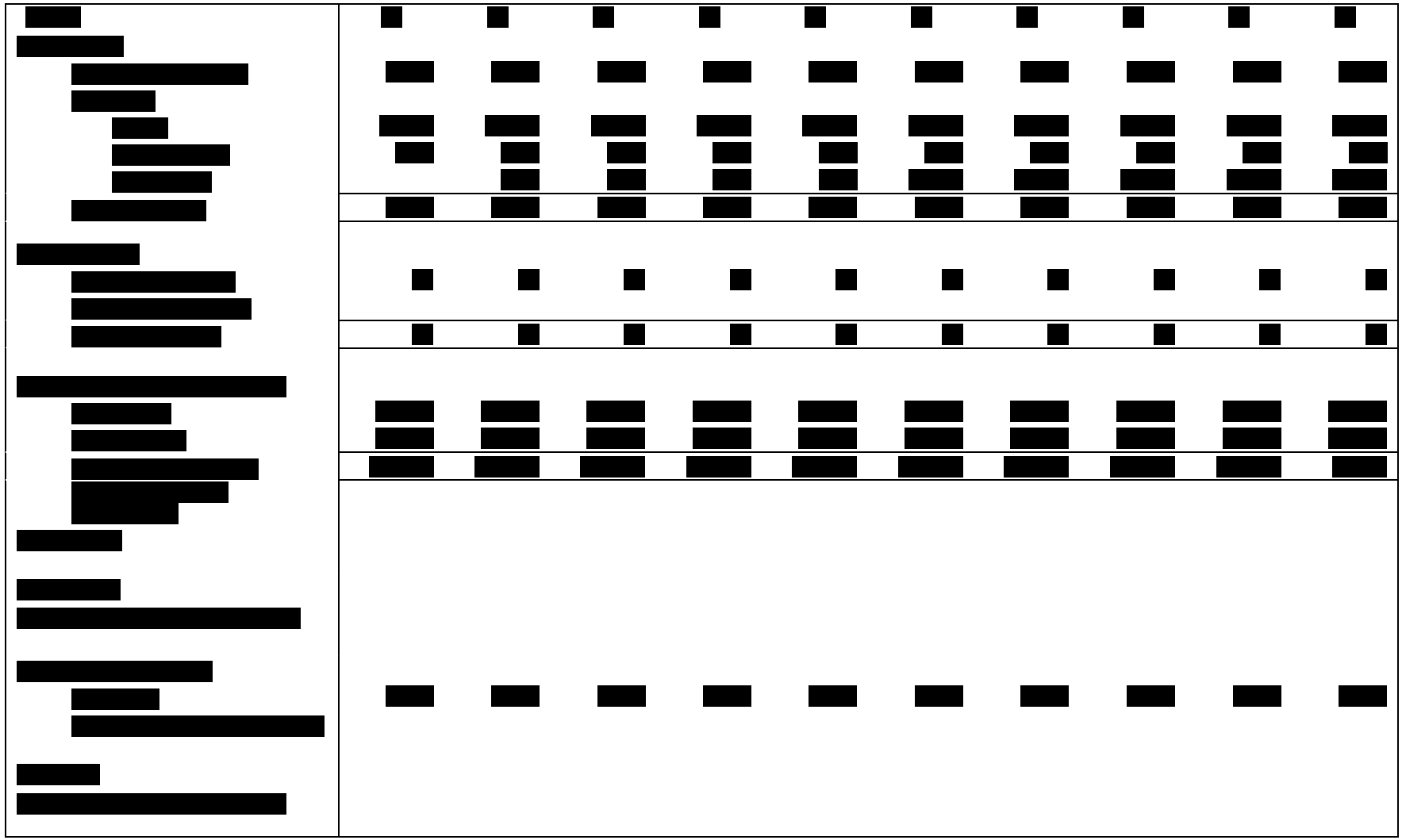
[redacted]



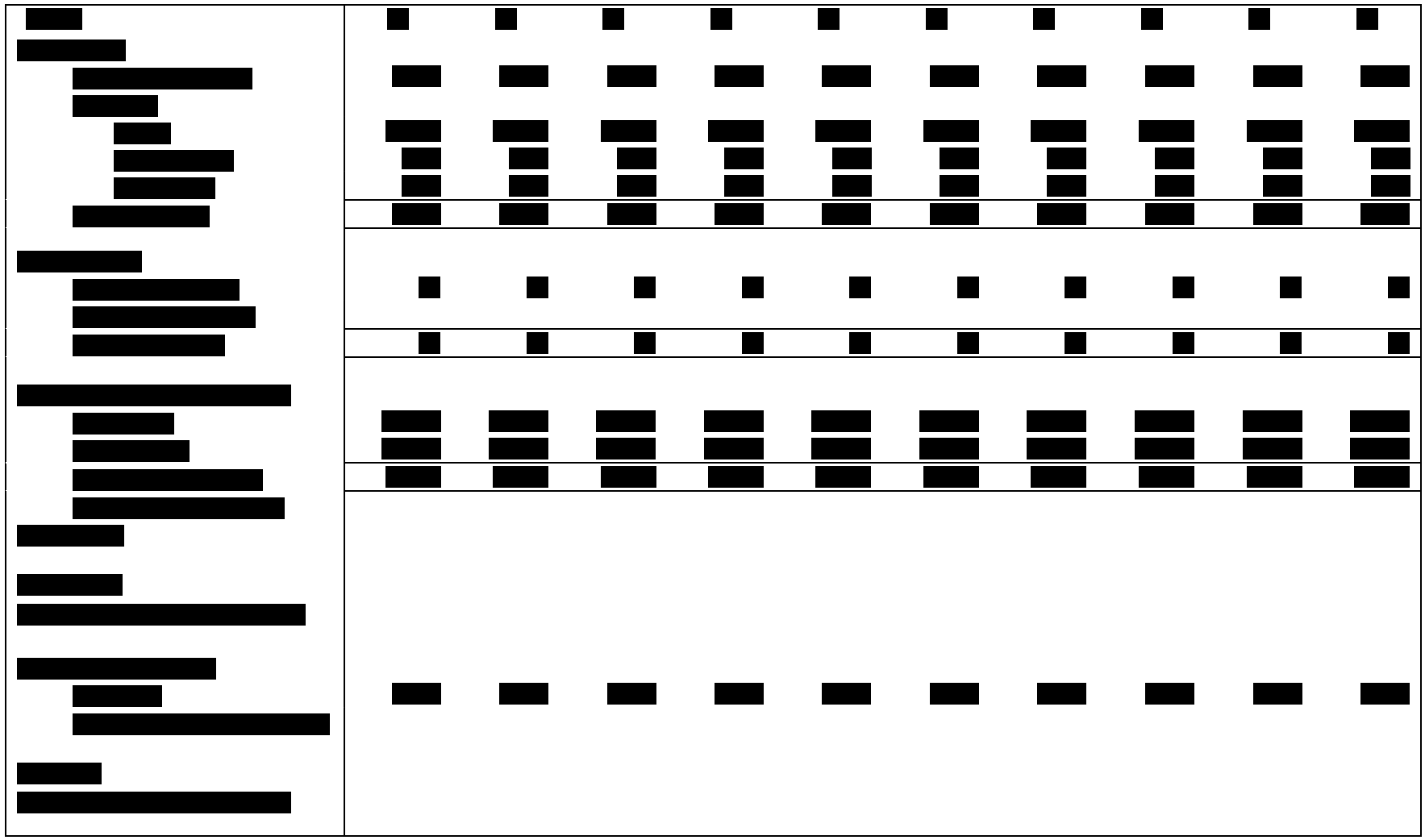
[redacted]



[redacted]



[redacted]



[redacted]