

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the **CORPORATION OF THE TOWNSHIP OF LAURENTIAN VALLEY WATER SUPPLY SYSTEM** is responsible for the preparation, accuracy, objectivity and integrity of the accompanying financial statements and all other information contained within the Financial Report. Management believes that the financial statements present fairly the Township's financial position as at December 31, 2019 and the results of its operations for the year then ended.

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

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

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

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

The Township's Council carry out its responsibilities for review of the financial statements principally through its regular meetings. The Township's Council meet regularly with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to the Township's Council with and without the presence of management. The Township's Council have approved the financial statements.

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

Chief Administrative Officer

Mayor

June 16, 2020

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Members of Council, Inhabitants and Ratepayers of the
CORPORATION OF THE TOWNSHIP OF LAURENTIAN VALLEY

Opinion

We have audited the financial statements of the Corporation of the Township of Laurentian Valley Water Supply System (the Township), which comprise the statement of financial position as at December 31, 2019, and the statements of operations and changes in net financial (debt) 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 the Township as at December 31, 2019 and the results of its consolidated operations, changes in net financial (debt) assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 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 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 Township'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 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.

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.

CORPORATION OF THE TOWNSHIP OF LAURENTIAN VALLEY

WATER SUPPLY SYSTEM

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 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.



CHARTERED PROFESSIONAL ACCOUNTANTS LICENSED PUBLIC ACCOUNTANTS

Pembroke, Ontario
June 16, 2020

CORPORATION OF THE TOWNSHIP OF LAURENTIAN VALLEY

**WATER SUPPLY SYSTEM
STATEMENT OF FINANCIAL POSITION**

DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
FINANCIAL ASSETS		
Accounts receivable	\$ 76,053	\$ 67,665
Due from Township of Laurentian Valley	<u>440 408</u>	<u>19 690</u>
	516 461	87 355
LIABILITIES		
Accounts payable and accrued liabilities	64,667	68,562
Due to Township of Laurentian Valley Wastewater System		4,964
Long-term debt (Note 2)	<u>510 000</u>	<u></u>
	<u>574 667</u>	<u>73 526</u>
NET FINANCIAL (DEBT) ASSETS	(58,206)	13,829
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	<u>1 790 445</u>	<u>1 631 984</u>
ACCUMULATED SURPLUS (Note 4)	<u>\$ 1,732 239</u>	<u>\$ 1,645,813</u>

(See accompanying notes and schedules)

CORPORATION OF THE TOWNSHIP OF LAURENTIAN VALLEY
WATER SUPPLY SYSTEM
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget 2019	Actual 2019	Actual 2018
REVENUE			
User charges	\$ <u>523,379</u>	\$ <u>524,215</u>	\$ <u>503,085</u>
EXPENSES			
Salaries and benefits	64,018	45,952	48,717
Purchase of water	270,000	267,981	276,545
Materials, supplies and services	72,254	32,829	45,830
Interest expense		559	
Amortization expense		83,505	78,109
Loss on disposal of tangible capital assets		6,963	13,427
	<u>406,272</u>	<u>437,789</u>	<u>462,628</u>
EXCESS OF REVENUE OVER EXPENSES	117,107	86,426	40,457
ACCUMULATED SURPLUS AT BEGINNING OF YEAR	164,581.3	164,581.3	<u>1,605,356</u>
ACCUMULATED SURPLUS AT END OF YEAR	<u>\$1,762,920</u>	<u>\$ 1,732,239</u>	<u>\$ 1,645,813</u>

(See accompanying notes and schedules)

CORPORATION OF THE TOWNSHIP OF LAURENTIAN VALLEY
WATER SUPPLY SYSTEM

STATEMENT OF CHANGE IN NET FINANCIAL (DEBT) ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget 2019	Actual 2019	Actual 2018
EXCESS OF REVENUE OVER EXPENSES	\$ 117 107	\$ 86426	\$ 40457
Acquisition of tangible capital assets	(387,995)	(248,929)	(298,510)
Amortization of tangible capital assets		83,505	78,109
Loss on disposal of tangible capital assets		6 963	13 427
	<u>(387,995)</u>	<u>(158,461)</u>	<u>(206,974)</u>
CHANGE IN NET FINANCIAL (DEBT) ASSETS	(270,888)	(72,035)	(166,517)
NET FINANCIAL (DEBT) ASSETS AT BEGINNING OF YEAR	13 829	13 829	180 346
NET FINANCIAL (DEBT) ASSETS AT END OF YEAR	\$ <u>(257,059)</u>	\$ <u>(58 206)</u>	\$ <u>13 829</u>

(See accompanying notes and schedules)

CORPORATION OF THE TOWNSHIP OF LAURENTIAN VALLEY
WATER SUPPLY SYSTEM

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 86,426	\$ 40,457
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	83,505	78,109
Loss on disposal of tangible capital assets	<u>6 963</u>	<u>13 427</u>
	176,894	131,993
Change in the level of:		
Accounts receivable	(8,388)	9,924
Due from Township of Laurentian Valley	(420,718)	204,984
Accounts payable and accrued liabilities	(3,895)	7,481
Due to Township of Laurentian Valley Wastewater system	<u>(4,964)</u>	<u>(55,872)</u>
	<u>(261,071)</u>	<u>298,510</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Acquisition of tangible capital assets	<u>(248,929)</u>	<u>(298,510)</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	510 000	_____
NET CHANGE IN CASH		
CASH AT BEGINNING OF YEAR		
CASH AT END OF YEAR	\$ _____	\$ _____

(See accompanying notes and schedules)

CORPORATION OF THE TOWNSHIP OF LAURENTIAN VALLEY
WATER SUPPLY SYSTEM
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

SCHEDULE 1

COST	<u>Land</u>	<u>Machinery and Equipment</u>	<u>Vehicle</u>	<u>Linear Assets</u>	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 1	\$ 42,203	\$ 9,962	\$ 3,349,535	\$ 3,401,701	\$ 3,159,234
Acquisition of tangible capital assets	-			248,929	248,929	298,510
Disposal of tangible capital assets -----				(32,446)	(32,446)	(56,043)
	1	<u>42,203</u>	9,962	3,566,018	3,618,184	3,401,701
ACCUMULATED AMORTIZATION						
Balance, beginning of year		39,904	540	1,729,273	1,769,717	1,734,224
Annual amortization	-	908	498	82,099	83,505	78,109
Accumulated amortization of assets disposed -----				(25,483)	(25,483)	(42,616)
		<u>90,812</u>	<u>1,038</u>	1,785,889	1,827,739	1,769,717
NET BOOK VALUE OF TANGIBLE CAPITAL						
ASSETS	\$ 1	\$ 1,391	\$ 8,924	<u>\$ 1,780,129</u>	\$ 1,790,445	\$ 1,631,984
2018 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 1	<u>\$ 2,299</u>	<u>\$ 9,422</u>	<u>\$ 1,620,262</u>	<u>\$ 1,631,984</u>	

(See accompanying notes)

CORPORATION OF THE TOWNSHIP OF LAURENTIAN VALLEY
WATER SUPPLY SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

The Corporation of the Township of Laurentian Valley Water Supply System is a board of the Township of Laurentian Valley organized to provide water distribution to some residents of the Township of Laurentian Valley.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared by management in accordance with Canadian public sector accounting standards for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants. Significant aspects of the accounting policies adopted by the Board are as follows:

Basis of accounting

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

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

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

Government Transfers

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

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

Deferred revenue - obligatory reserve fund

Deferred revenue - obligatory reserve fund consists of development charges and related investment income which is recognized as income as services are provided.

Revenue recognition

User charges are recognized as the service is provided and collection is reasonably assured. Frontage charges and grant revenue are recognized when the related expenditure is incurred.

(See accompanying schedules)

CORPORATION OF THE TOWNSHIP OF LAURENTIAN VALLEY
WATER SUPPLY SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial (Debt) Assets for the year.

i) **Tangible Capital Assets**

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

	<u>Years</u>
Machinery and equipment	20
Vehicle	20
Linear assets	40

Annual amortization is charged in both the year of acquisition and the year of disposal.

ii) **Contribution of Tangible Capital Assets**

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

(See accompanying schedules)

CORPORATION OF THE TOWNSHIP OF LAURENTIAN VALLEY
WATER SUPPLY SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Some other services are also contributed to the Board. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Contaminated Sites Liability

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

NOTE2 LONG-TERM DEBT

Long-term debt consists of a debenture, due 2039 payable in semi-annual installments of \$16,478 including interest at 2.63% per annum.

Payments on existing debt are as follows:

	<u>Principal</u>	Interest	<u>Total</u>
2020	\$ 19,671	\$ 13,285	\$ 32,956
2021	20,191	12,765	32,956
2022	20,726	12,230	32,956
2023	21,275	11,681	32,956
2024	<u>21 838</u>	<u>11 118</u>	<u>32,956</u>
	103,701	61,079	164,780
Thereafter	406,299	88 027	494 326
	<u>\$ 510 000</u>	<u>\$ 149 106</u>	<u>\$ 659 106</u>

NOTE3 EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2019</u>	<u>2018</u>
Tangible capital assets, cost (Schedule 1)	\$ 3,618,184	\$ 3,401,701
Accumulated amortization, cost (Schedule 1)	(1,827,739)	(1,769,717)
Long-term debt (Note 2)	<u>(510,000)</u>	
Amount due to Township of Laurentian Valley Wastewater System		(4,694)
Balance, end of year	<u>\$ 1,280,445</u>	<u>\$ 1,627 290</u>

(See accompanying schedules)

CORPORATION OF THE TOWNSHIP OF LAURENTIAN VALLEY
WATER SUPPLY SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 4 ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	<u>2019</u>	<u>2018</u>
Unrestricted surplus	\$	\$ 15,526
Unfinanced expenditures		(302,005)
Internally restricted reserves	451,794	305,002
Equity in tangible capital assets	<u>1,280,445</u>	<u>1,627,290</u>
	<u>\$ 1,732,239</u>	<u>\$ 1,645,813</u>

NOTE 5 CONTRACTUAL OBLIGATION - CITY OF PEMBROKE

The Township purchases its water supply from the City of Pembroke. During the year ended December 31, 2019, these charges totaled \$267,981 (2018 - \$276,545).

NOTE 6 FINANCIAL INSTRUMENTS

The Board's financial instruments consist of accounts receivable, due from/to Township of Laurentian Valley, due to Township of Laurentian Valley Wastewater System, accounts payable and accrued liabilities and long-term debt.

Risk

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

Fair market value

Except for the following, the fair value of the Board's financial instruments approximates their carrying value due to their short term nature. The terms and conditions of the long-term debt are disclosed in Note 2 to the financial statements.

NOTE 7 CONTAMINATED SITES LIABILITY

The Township has adopted PS3260 Liability for Contaminated Sites. The Township did not identify any financial liabilities in 2019 (2018 - \$nil) as a result of this standard.

NOTE 8 BUDGET FIGURES

Budget figures reported on the Statement of Operations and the Statement of Changes in Net Financial Assets (Debt) are based on 2019 operating and capital budgets as approved by Council on March 19, 2019 (By-law 2019-03-017).

(See accompanying schedules)

CORPORATION OF THE TOWNSHIP OF LAURENTIAN VALLEY
WATER SUPPLY SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 9 SUBSEQUENT EVENTS

In Mid-March of 2020, subsequent to the Township's year-end, the Province of Ontario declared a state of emergency in response to public health concerns originating from the spread of the coronavirus. At the date of issuing these financial statements, the financial impact of the spread of the coronavirus on the Township's Water System is not yet known.

(See accompanying schedules)