

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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**Municipality of
Mississippi Mills
Consolidated
Financial Statements
December 31, 2018**

Municipality of Mississippi Mills
Five Year Financial Review
(not subject to audit)

December 31	2018	2017	2016	2015	2014
Population (Statistics Canada)	13,163	13,163	13,163	12,385	12,385
Number of Households (MPAC)	5,755	5,654	5,550	5,478	5,321
<hr/>					
Taxable Assessment (000's)	\$	\$	\$	\$	\$
Residential and farm	1,788,497	1,691,275	1,616,203	1,518,663	1,418,289
Commercial and industrial	92,044	90,847	94,180	104,908	89,390
Total	1,880,541	1,782,122	1,710,383	1,623,571	1,507,679
Commercial, industrial as % of assessment	4.89%	5.09%	5.51%	6.46%	5.93%
<hr/>					
Rates of Taxation					
Residential					
▸ for general municipal purposes	0.517954	0.508951	0.492824	0.489343	0.492008
▸ for county purposes	0.370048	0.376627	0.373000	0.379779	0.392978
▸ for school board purposes	0.170000	0.179000	0.188000	0.195000	0.203000
Total	1.058002	1.064578	1.053824	1.064122	1.087986
Multi-Residential (municipal)	1.109898	1.113514	1.132799	1.141454	1.166452
Commercial (municipal)	0.930695	0.901541	0.840852	0.823141	0.815153
Industrial (municipal)	1.335026	1.322777	1.285926	1.256043	1.236795
Tax Arrears ▸ percentage of current levy (<10%)**	7.40%	8.69%	9.81%	10.38%	11.18%
Taxes Transferred (000's)					
▸ County	7,307	7,121	6,744	6,410	6,143
▸ School Boards	4,149	4,178	4,260	4,103	3,971
<hr/>					
Revenues (000's)	\$	\$	\$	\$	\$
▸ Taxation and payments in lieu	11,759	11,156	10,442	9,774	9,309
▸ Government transfers	2,231	1,870	1,729	1,721	1,487
▸ Fees and service charges	5,143	4,770	4,569	4,719	4,024
▸ Other	2,921	3,418	1,454	4,416	1,913
▸ Revenues related to capital assets	2,318	3,209	599	2,014	2,020
Total	24,372	24,423	18,793	22,644	18,753
<hr/>					
Expenditures (000's)					
▸ Operations	21,312	19,924	18,745	18,064	16,731
▸ Amortization	3,192	3,010	2,696	2,652	2,540
<hr/>					
Net Financial Assets (Net Debt)					
▸ % of Operating Revenue (>(20%)) **	(24.33%)	(18.45%)	(14.88%)	(18.86%)	(22.57)%
▸ % of Taxation and User Charges (>(50%)) **	(31.23%)	(23.10%)	(18.25%)	(23.80%)	(29.91)%

** Represents the Provincial Low Risk Indicator.
(Note: All dollar amounts are in thousands of dollars.)

Municipality of Mississippi Mills
Five Year Financial Review
(not subject to audit)

December 31	2018	2017	2016	2015	2014
	\$	\$	\$	\$	\$
Long Term Debt					
▶ Net long term debt (000's)	16,859	15,646	15,216	14,966	15,754
▶ Long term debt charges (000's)	1,575	1,406	1,384	1,414	1,243
▶ Total annual repayment limit (000's)	4,136	3,861	3,763	3,644	3,084
▶ Long term debt per household	2,929	2,767	2,742	2,732	2,961
▶ Debt charges (000's)					
▶ user charges	494	490	471	471	350
▶ tax supported	1,081	916	913	943	893
	1,575	1,406	1,384	1,414	1,243
Municipal Equity (000's)					
▶ Surplus and Reserves	9,229	8,155	7,785	6,827	5,837
▶ Invested in capital assets	55,184	53,274	50,192	50,573	49,783
▶ Equity in MRPC, ORPC, ORES	6,635	6,559	5,573	6,104	6,017
▶ Reserves as % of operating expenses (>20%) **	43.30%	40.90%	41.20%	37.60%	37.08%
▶ Asset consumption ratio	34.51%	34.83%	34.98%	33.10%	32.97%
Financial Indicators					
▶ Sustainability					
▶ financial assets to liabilities	0.7837	0.8399	0.8734	0.8398	0.8250
▶ financial assets to liabilities excluding long term debt	2.5352	2.6320	2.9407	2.8960	3.0380
▶ capital reserves to accumulated amortization	15.80%	14.60%	15.00%	13.54%	11.80%
▶ debt to tangible capital assets	22.11%	21.85%	22.99%	22.39%	24.09%
▶ Flexibility					
▶ Debt charges to total operating revenue (<5%) **	7.26%	7.05%	7.52%	7.87%	7.43%
▶ Total operating revenue to taxable assessment	1.15%	1.12%	1.08%	1.10%	1.11%
▶ Working capital to operating expenses (>10%) **	54.33%	60.10%	66.56%	64.15%	71.58%
▶ Vulnerability					
▶ Total government transfers to total revenues	13.45%	13.97%	11.82%	11.45%	10.37%



CORPORATION OF THE MUNICIPALITY OF MISSISSIPPI MILLS

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Municipality of Mississippi Mills 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 significant accounting policies are described in note 2 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

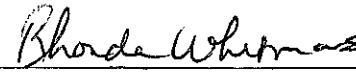
The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on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

Council 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 Council approval of the consolidated financial statements.

The consolidated financial statements have been audited by Allan and Partners LLP, independent external auditors appointed by the Municipality. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.



Ken Kelly,
Chief Administrative Officer



Rhonda Whitmarsh, CPA, CA
Treasurer



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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Municipality of Mississippi Mills:

Opinion

We have audited the consolidated financial statements of the Corporation of the Municipality of Mississippi Mills (the 'Entity'), 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 changes in net debt for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- and the 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 Entity as at December 31, 2018, 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.

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 auditor's 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 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 Entity'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 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.

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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 of 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 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 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.
- 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.



Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario
June 4, 2019.

**Municipality of Mississippi Mills
Consolidated Statement of Financial Position**

December 31	2018	2017
	\$	\$
ASSETS		
Financial Assets		
Cash and short term deposits	8,740,890	8,291,588
Taxes receivable (net of allowance of \$34,900)	1,683,427	1,916,034
User charges receivable	495,238	859,057
Accounts receivable (net of allowance of \$27,453)	1,518,478	1,591,048
Inventory for resale	26,099	48,089
Long term receivables (note 7)	23,809	35,395
Investment in Ottawa River Power Corporation (note 6)	2,297,185	2,179,451
Investment in Ottawa River Energy Solutions Inc. (note 6)	322,018	312,289
Investment in Mississippi River Power Corporation (note 6)	4,015,817	4,067,316
	19,122,961	19,300,267
LIABILITIES		
Financial Liabilities		
Accounts payable and accrued liabilities	2,369,891	2,633,083
Prepaid property taxes	1,236,605	1,181,733
Accrued landfill closure and post closure	831,179	816,179
Other current liabilities	1,082,906	922,736
Deferred revenues (note 5)	2,022,539	1,779,937
Long term liabilities (note 7)	16,858,508	15,645,860
	24,401,628	22,979,528
NET DEBT	(5,278,667)	(3,679,261)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 16)	76,263,211	71,609,587
Inventories	63,647	58,226
	76,326,858	71,667,813
Contingent Liabilities (note 13)		
MUNICIPAL EQUITY (note 8)	71,048,191	67,988,552

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

**Municipality of Mississippi Mills
Consolidated Statement of Operations**

For the year ended December 31	(Note 18) Budget	2018	2017
	\$	\$	\$
REVENUES			
Taxation ▶ residential	9,140,497	9,138,740	8,587,354
▶ commercial	888,328	883,985	851,767
▶ other governments	238,185	238,746	245,757
▶ garbage collection and local improvements	1,461,852	1,497,384	1,471,428
User charges ▶ sewer and water	2,936,685	3,217,878	2,944,092
▶ recreation and culture	520,715	508,448	589,975
▶ daycare	919,000	1,096,058	898,752
▶ other	184,875	320,635	337,418
Government transfers	1,648,481	2,230,767	1,869,862
Licences and permits	424,353	636,328	596,294
Deferred revenues earned (note 5)	378,347	378,347	380,947
Investment income	90,000	121,749	89,391
Penalties and interest on taxes	280,000	241,807	238,087
Provincial offenses	100,000	122,643	84,540
Other	521,400	1,066,477	761,200
Net income ▶ Ottawa River Power Corporation	---	162,046	90,483
▶ Ottawa River Energy Solutions Inc.	---	17,699	17,888
▶ Mississippi River Power Corporation	---	173,501	1,159,638
TOTAL REVENUES	19,732,718	22,053,238	21,214,873
EXPENDITURES			
General government	2,101,984	2,234,875	1,676,802
Protection to persons and property	3,413,121	3,419,250	3,260,148
Transportation services	4,735,281	4,667,455	4,448,937
Environmental services	5,998,204	5,750,718	5,604,352
Social and family services	1,637,282	1,756,252	1,658,660
Recreation and cultural services	2,953,692	2,900,936	2,739,047
Planning and development	504,689	582,579	535,682
TOTAL EXPENDITURES	21,344,253	21,312,065	19,923,628
NET REVENUES (EXPENDITURES) FROM OPERATIONS	(1,611,535)	741,173	1,291,245
OTHER			
Grants and transfers related to capital			
Deferred revenues earned (note 5)	530,382	756,687	941,492
Government transfers	665,870	688,277	1,365,816
Other	216,361	177,009	215,310
Contributed assets	---	696,493	686,233
	1,412,613	2,318,466	3,208,851
ANNUAL SURPLUS (DEFICIT)	(198,922)	3,056,639	4,500,096
MUNICIPAL EQUITY, BEGINNING OF YEAR	67,988,552	67,988,552	63,488,456
MUNICIPAL EQUITY, END OF YEAR	67,789,630	71,048,191	67,988,552

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

**Municipality of Mississippi Mills
Consolidated Statement of Changes in Net Debt**

For the year ended December 31	(Note 18) Budget	2018	2017
	\$	\$	\$
ANNUAL SURPLUS (DEFICIT)	(198,922)	3,059,639	4,500,096
Amortization of tangible capital assets	3,248,533	3,192,267	3,009,880
Acquisition of tangible capital assets	(9,252,896)	(8,011,581)	(8,444,974)
Disposal of tangible capital assets	---	165,690	(4,496)
Acquisition of supplies inventories	---	(5,421)	---
	(6,004,363)	(4,659,045)	(5,439,590)
INCREASE IN NET DEBT	(6,203,285)	(1,599,406)	(939,494)
NET DEBT, BEGINNING OF YEAR	(3,679,261)	(3,679,261)	(2,739,767)
NET DEBT, END OF YEAR	(9,882,546)	(5,278,667)	(3,679,261)

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

**Municipality of Mississippi Mills
Consolidated Statement of Cash Flows**

For the year ended December 31	2018	2017
	\$	\$
OPERATING ACTIVITIES		
Annual surplus for the year	3,059,639	4,500,096
Non cash changes ▶ amortization	3,192,267	3,009,880
	6,251,906	7,509,976
Net Change in Non-Cash Working Capital Balances		
Taxes receivable	232,607	153,631
User charges receivable	363,819	(71,144)
Accounts receivable	72,570	(792,132)
Inventory for resale	21,990	88,733
Accounts payable and accrued liabilities	(263,192)	873,555
Prepaid property taxes	54,872	31,025
Accrued landfill closure and post closure	15,000	15,000
Other current liabilities	160,170	(54,915)
Deferred revenues	242,602	40,421
Inventories	(5,421)	(4,496)
Long term receivables	11,586	13,976
	906,603	293,654
Working Capital from Operations	7,158,509	7,803,630
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(8,011,581)	(8,444,974)
Disposal of capital assets	165,690	---
Net investment in tangible capital assets	(7,845,891)	(8,444,974)
INVESTING ACTIVITIES		
Increase in investment in Ottawa River Power Corporation	(117,734)	(46,168)
Increase in investment in Ottawa River Energy Solutions Inc.	(9,729)	(5,692)
Decrease (increase) in investment in Mississippi River Power Corporation	51,499	(934,638)
Net decrease in cash from investing activities	(75,964)	(986,498)
FINANCING ACTIVITIES		
Debt issued for Municipality purposes	2,182,500	1,268,000
Debt principal repayments	(969,852)	(837,929)
Net increase in cash from financing activities	1,212,648	430,071
NET INCREASE (DECREASE) IN CASH	449,302	(1,197,771)
CASH, BEGINNING OF YEAR	8,291,588	9,489,359
CASH, END OF YEAR	8,740,890	8,291,588

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

Municipality of Mississippi Mills

Notes to the Consolidated Financial Statements

December 31, 2018

1. Status of the Municipality of Mississippi Mills

The Municipality of Mississippi Mills (the 'Municipality') was incorporated January 1, 1998 (being an amalgamation of the former Town of Almonte and Townships of Ramsay and Pakenham) and assumed its responsibilities under the authority of the Minister of Municipal Affairs and the Municipal Act. The Municipality operates as a lower tier government in the County of Lanark, in the Province of Ontario, Canada and provides municipal services such as police, fire, public works, planning, parks and recreation, library and other general government operations.

2. Significant Accounting Policies

The consolidated financial statements of the Corporation of the Municipality of Mississippi Mills are the representations of management and have been prepared in all material respects in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies adopted by the Municipality are as follows:

Reporting Entity

(i) The consolidated financial statements reflect financial assets, liabilities, operating revenues and expenditures, reserves, reserve funds and changes in investment in tangible capital assets of the Municipality. 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. Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated. These consolidated financial statements include:

- ▶ Public Library Board
- ▶ Community Services Committee
- ▶ Day Care Centre

The Ottawa River Power Corporation, Mississippi River Power Corporation and the Ottawa River Energy Solutions Inc. are accounted for on a modified equity basis, consistent with Canadian generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprises accounting principles are not adjusted to conform with those of the Municipality and inter-organizational transactions and balances are not eliminated.

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

Basis of Accounting

(i) The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenditures are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.

(ii) 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 excess of revenues over expenses, provides the change in net financial assets for the year.

Municipality of Mississippi Mills
Notes to the Consolidated Financial Statements

December 31, 2018

2. Significant Accounting Policies / continued

Basis of Accounting / continued

- (iii) Trust funds and their related operations administered by the Municipality are not included in these financial statements but are reported separately on the Trust Funds Statement of Financial Activities and Financial Position.

Taxation and Related Revenues

Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation ('MPAC'). Tax rates are established by Town Council, incorporating amounts to be raised for local services, amounts to be raised on behalf of County of Lanark for regional services, and amounts the Town is required to collect on behalf of the Province of Ontario in respect of education taxes. Taxation revenues are recorded at the time tax billings are issued. Adjustments to taxation revenue can occur during the year related to the issuance of supplementary tax billings and/or assessment appeals. These adjustments are recorded when the amount of the adjustments can be quantified. The Town is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period in which the interest and penalties are applied.

Tangible Capital Assets

Tangible capital assets are recorded at historical cost or where historical cost records were not available, other methods determined to provide a best estimate of historical cost and accumulated amortization of the assets. In certain cases the Municipality used replacement costs and appropriate indices to deflate the replacement cost to an estimated historical cost at the year of acquisition. Costs include all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight line basis over their estimated useful lives as follows:

Land	
Landfill Sites	5 years
Parking Lots	45 - 65 years
Buildings	10 - 40 years
Vehicles	5 - 20 years
Equipment	10 - 20 years
Water and Sewer Facilities / Networks	
Linear Assets	50 - 80 years
Facilities / Wells / Lagoons	15 - 40 years
Linear Assets	
Roads	12 - 40 years
Sidewalks / Curbs	50 years
Bridges and Culverts	50 - 80 years
Construction in Progress	

Amortization is pro rated in the year of acquisition and in the year of disposal.

The Municipality has a capitalization threshold of \$5,000 for vehicles and equipment and \$50,000 for linear assets and buildings so that individual capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operations reasons.

Municipality of Mississippi Mills

Notes to the Consolidated Financial Statements

December 31, 2018

2. Significant Accounting Policies / continued

Tangible Capital Assets / continued

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 other asset as of the date of transfer.

When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the consolidated statement of operations in the year of disposal. 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.

When conditions indicate that a tangible capital asset no longer contributes to the Board's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the consolidated statement of operations.

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.

Inventories and Prepaid Expenses

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

Pension and Employee Benefits

The Municipality accounts for its participation in the Ontario Municipal Employees Retirement System ('OMERS'), a multi-employer public sector pension fund, as a defined benefit plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

Employee benefits include vacation entitlement and sick leave benefits. Vacation entitlements are accrued as entitlements are earned. Sick leave benefits are accrued in accordance with the Municipality's policy.

Cash and Cash Equivalents

The Municipality considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less.

Government Transfers

Government transfers are recognized in the consolidated financial statements as revenues 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 made.

**Municipality of Mississippi Mills
Notes to the Consolidated Financial Statements**

December 31, 2018

2. Significant Accounting Policies / continued

Deferred Revenues

The Municipality defers recognition of user charges and fees which have been collected but for which the related services have yet to be performed. Government transfers of gas taxes, development charges collected under the *Development Charges Act, 1997*, and recreational land collected under the Planning Act are reported as deferred revenues in the Consolidated Statement of Financial Position. These amounts will be recognized as revenues in the fiscal year the services are performed.

The Municipality receives restricted contributions under the authority of Federal and Provincial legislation and Municipality by-laws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

Deferred revenue represents certain user charges and fees which have been collected but for which the related services have yet to be performed. Deferred revenue also represents contributions that the Municipality has received pursuant to legislation, regulation or agreement that may only be used for certain programs or in the completion of specific work. These amounts are recognized as revenue in the fiscal year the services are performed or related expenses incurred.

Investments

Short-term and long-term investments are recorded at cost plus accrual interest. If the market value of investments become lower than cost and the decline in value is considered to be other than temporary, the investments are written down to market value.

Investment income earned on surplus current funds, capital funds, reserves and reserve funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on development charges and parkland obligatory reserve funds is added to the fund balance and forms part of respective deferred revenue balances.

Landfill Closure and Post-Closure Liabilities

The Municipality accrues landfill closure and post-closure care requirements that 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 twenty-five 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.

Municipality of Mississippi Mills
Notes to the Consolidated Financial Statements

December 31, 2018

2. Significant Accounting Policies / continued

Liability for Contaminated Sites

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 contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- (a) an environmental standard exists;
- (b) contamination exceeds the environmental standard;
- (c) the Municipality:
 - (i) is directly responsible; or
 - (ii) accepts responsibility
- (d) it is expected that future economic benefit will be given up; and
- (e) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of cost of pos-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

Financial Instruments

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. The Municipality has classified each financial instrument into one of the following categories: held-for-trading financial assets and liabilities, loans and receivables, held-to-maturity financial assets and other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Held-for-trading financial assets and liabilities are subsequently measured at fair value with changes in those fair values recognized in net revenues.

Loans and receivables, held-to-maturity financial assets and other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Municipality classifies cash and cash equivalents as held-for-trading financial assets, accounts receivable as loans and receivables, and accounts payable and accrued liabilities as other financial liabilities.

Measurement Uncertainty

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the consolidated financial statements in the period in which they become known.

**Municipality of Mississippi Mills
Notes to the Consolidated Financial Statements**

December 31, 2018

3. Operations of the School Boards and County of Lanark

During 2018, the Municipality collected and made property tax transfers including payments in lieu of property taxes, to the County of Lanark and School Boards as follows:

	School Boards \$	County \$
Property taxes	4,147,650	7,241,044
Taxation from other governments	1,817	66,305
Amounts requisitioned and paid	4,149,467	7,307,349

4. Bank Indebtedness

The Municipality's financial agreement with its bank provides for an operating credit facility of up to \$1,000,000 to finance expenses, pending receipt of property taxes and other income. Interest on funds drawn is charged at the Royal Bank's prime rate. As at December 31, 2018, there was \$Nil (2017 \$Nil) drawn on the facility.

5. Deferred Revenues

A requirement of public sector accounting standards of the Chartered Professional Accountants of Canada is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as Provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The transactions for the year are summarized below:

	Development Charges	Recreational Land	Total
	\$	\$	\$
January 1, 2018	1,777,993	1,944	1,779,937
Contributions from developers	1,337,713	---	1,337,713
Interest	39,903	20	39,923
Transfer for capital projects	(756,687)	---	(756,687)
Transfer for other capital	(378,347)	---	(378,347)
December 31, 2018	2,020,575	1,964	2,022,539

6. Investment in Ottawa River Power Corporation, Ottawa River Energy Solutions Inc., Mississippi River Power Corporation (government business enterprises)

Ottawa River Power Corporation (ORPC) (15.94%), Ottawa River Energy Solutions Inc. (OES) (15.94%), and the Mississippi River Power Corporation (MRPC) (100.00%) are government business enterprises in which the Municipality owns the percentage interest as noted and accounted for on a modified equity basis in these consolidated financial statements.

Municipality of Mississippi Mills Notes to the Consolidated Financial Statements

December 31, 2018

6. Investment in Ottawa River Power Corporation, Ottawa River Energy Solutions Inc., Mississippi River Power Corporation (government business enterprises) / continued

The principal business of ORPC is to distribute electric power to the Municipality of Mississippi Mills Almonte Ward (and other communities) and manage the electric distribution system. Ottawa River Energy Solutions Inc. is a retailer of electricity related activities for the residents of Mississippi Mills Almonte Ward. MRPC's principal business is the generation of electric power for the benefit of the Municipality of Mississippi Mills Almonte Ward's residents.

The following tables provide condensed supplementary financial information setting out the Municipality's proportionate share for the three entities for the year ended December 31.

Ottawa River Power Corporation (15.94%)	2018	2017
	\$	\$
Financial Position		
Current and other assets	1,497,109	1,469,435
Capital assets	1,884,485	1,761,890
Future income taxes	143,245	107,494
	3,524,839	3,338,819
Current liabilities	1,227,654	1,153,094
Long term debt	---	6,274
Net Assets	2,297,185	2,179,451
Results of Operations		
Revenues	877,884	719,484
Operating expenses	715,838	629,001
Net Income	162,046	90,483
Ottawa River Energy Solutions Inc. (15.94%)		
	\$	\$
Financial Position		
Current and other assets	208,058	202,105
Capital assets	226,995	240,693
	435,053	442,798
Current liabilities	16,446	10,858
Long term debt	96,589	119,651
Net Assets	322,018	312,289
Results of Operations		
Revenues	160,870	104,048
Operating expenses	143,171	86,160
Net Income	17,699	17,888

During the year, the Municipality reviewed dividends of \$68,598 which is netted to other income on consolidation.

**Municipality of Mississippi Mills
Notes to the Consolidated Financial Statements**

December 31, 2018

**6. Investment in Ottawa River Power Corporation, Ottawa River Energy Solutions Inc.,
Mississippi River Power Corporation (government business enterprises) / continued**

Mississippi River Power Corporation (100.00%)	2018	2017
	\$	\$
Financial Position		
Current assets	3,505,182	3,609,341
Capital assets	19,486,565	17,678,507
	22,991,747	21,287,848
Current liabilities	2,055,951	1,453,429
Long term debt (excluding Municipality debt)	16,919,979	15,767,103
Net Assets	4,015,817	4,067,316
Results of Operations		
Revenues	2,454,078	3,900,455
Operating expenses	2,280,577	2,740,817
Net Income	173,501	1,159,638

During 2018, the Municipality received a dividend of \$225,000 (2017 \$225,000) which is netted to other income on consolidation.

7. Long Term Liabilities

(a) The balance of long term liabilities reported on the "Consolidated Statement of Financial Position" is comprised of the following:

	2018	2017
	\$	\$
Ontario Infrastructure Projects Corporation (2 projects) (4.63% and 4.13%), with semi annual blended payments of \$41,628 and \$230,273, maturing 2022 and 2044.	7,485,512	7,711,547
Fixed rate bank loans with maturity dates between 2018 and 2036 and interest rates between 2.61% and 5.40%.	9,349,187	7,898,918
Instalment debentures with the Province of Ontario under the Ontario Tile Loan Program. The responsibility for payment of principal and interest charges for tile drainage and shoreline property assistance loans has been assumed by individuals. At the end of the year, the outstanding principal amount of this liability is	23,809	35,395
Net long term liabilities at the end of the year	16,858,508	15,645,860

Municipality of Mississippi Mills
Notes to the Consolidated Financial Statements

December 31, 2018

7. Long Term Liabilities / continued

(b) Principal payments fall due as follows:

	General Revenues	User Charges	Total
	\$	\$	\$
2019	886,002	197,719	1,083,721
2020	922,420	188,385	1,110,805
2021	955,131	194,281	1,149,412
2022	978,216	194,572	1,172,788
2023	834,683	198,901	1,033,584
2024 to 2028	3,205,048	1,105,187	4,310,235
2029 and thereafter	1,764,079	5,233,884	6,997,963
	9,545,579	7,312,929	16,858,508

(c) Interest expense on long term liabilities in 2018 amounted to \$604,917 (2017 \$567,801).

(d) These payments are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

8. Municipal Equity

Municipal equity consists of:

	2018	2017
	\$	\$
Investment in tangible capital assets		
Tangible capital assets	76,263,211	71,609,587
Long term liabilities	(16,834,699)	(15,610,465)
Unfinanced Capital Projects		
Parks and Recreation	(514,671)	(935,953)
Public works projects	(3,250,343)	(1,701,671)
Water and sewer projects	(479,174)	(87,601)
	55,184,324	53,273,897
Reserves (Schedule 1)	9,228,847	8,155,599
Equity in Government Business Enterprises		
Ottawa River Power Corporation	2,297,185	2,179,451
Ottawa River Energy Solution Inc.	322,018	312,289
Mississippi River Power Corporation	4,015,817	4,067,316
	6,635,020	6,559,056
Total Municipal Equity	71,048,191	67,988,552

Municipality of Mississippi Mills Notes to the Consolidated Financial Statements

December 31, 2018

9. Pension Contributions

The Municipality makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all permanent 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. Employers and employees contribute to the plan. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Municipality does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements.

The amount contributed to OMERS was \$383,689 (2017 \$357,484) for current services and is included as an expenditure on the Consolidated Statement of Operations classified under the appropriate functional expenditure. Contributions by employees were a similar amount.

10. Trust Funds

Trust funds administered by the Municipality amounting to \$Nil (2017 \$Nil) 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.

11. Provincial Offences Administration (POA)

The Town of Perth has assumed the administration of the Provincial Offences office for all County of Lanark resident municipalities. The transfer of administration from the Ministry of the Attorney General to the Town was a result of the Provincial Offences Act (POA) 1997, which provides the framework for the transfer of responsibility and administration of POA courts.

The POA is a procedural law for administering and prosecuting provincial offences, including those committed under the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor Licence Act, Municipal By-Laws and minor federal offences. The POA governs all aspects of legal process from serving notice to a defendant, to conducting trials, including sentencing and appeals.

The Municipality's share of net revenues arising from operation of the POA office have been consolidated with these financial statements. The revenue of the court office consists of fines levied under Parts I and III (including delay penalties) for POA charges filed in the Perth court.

If fines are paid at other court offices, the receipt is recorded in the Integrated Courts Operation Network System ("ICON") operated by the Province of Ontario. Revenue is recognized when receipt of funds is recorded by the provincial ICON system regardless of the location where payment is made.

The Municipality of Mississippi Mills shares net POA revenues based on weighted assessment.

Municipality of Mississippi Mills
Notes to the Consolidated Financial Statements

December 31, 2018

12. Contractual Obligations

In November 2017, the Municipality entered into a contract with OCWA (Ontario Clean Water Agency). For the management and operations of the water plant, wastewater plant and the sanitary pumping station. The contract is for the period January 1, 2018 to December 31, 2024 and provides for a four year extension to December 31, 2028.

The contract is a fixed price contract that provides for an annual inflation increase of 1.85%. The contract provides for the reconciliation of hydro costs on an annual basis.

The annual cost of the contract was \$1,365,721 (2017 \$1,462,425).

There is no contract for policing services. The Municipality is provided police services by the Ontario Provincial Police under Section 5.1 of the Police Services Act. The annual charges are determined based on the level of service and are reconciled to actual costs in the following year. The amount paid in 2018 for police service usage was \$1,866,420 (2017 \$1,820,736).

The Municipality has negotiated a 7 year contract with Waste Management Canada Corporation for the collection of curbside garbage. The contract runs from June 1, 2013 to May 31, 2020. Annual charges are determined by reference to the Municipality's number of households, the consumer price index and a fuel surcharge clause. The contract for 2018 was \$450,739 (2017 \$470,531).

The Municipality has negotiated a long term contract with GFL Environmental Inc. for the collection, processing and marketing of recycled materials collected at curbside. The contract runs from June 1, 2013 to May 31, 2020. Annual charges are determined based on the number of households in the Municipality, the consumer price index and a fuel surcharge clause. The contract for 2018 was \$466,464 (2017 \$465,776).

The Municipality has entered into a long term lease agreement for property located at 134 Main Street. The annual lease commitments are as follows:

	\$
2019	18,000
2020	16,500

13. Contingent Liabilities

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2018, management believes that the Municipality has valid defences and appropriate insurance coverages in place.

In the event any claims are successful, the amount of any potential liability is not determinable, therefore, no amount has been accrued in the consolidated financial statements.

Municipality of Mississippi Mills Notes to the Consolidated Financial Statements

December 31, 2018

14. Landfill Closure and Post Closure Liability

The Environment 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 and is in accordance with the Municipality's accounting policy. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

The Municipality currently has one active and two inactive landfill sites. The Almonte site is licensed, and accepts approximately 100 tonnes of waste per year. At current disposal rates, the site has an estimated lifespan of 8 to 10 years. Estimated closure costs are in the range of \$935,000. The anticipated closure plan involves a layer of sand followed by a layer of clay and soil. Annual post closure maintenance and monitoring requirements are estimated to be \$30,000 per annum.

The Pakenham site was closed in 1990 and involved covering the site with a clay cap and vegetative cover. Additional buffer lands were also purchased at the time of closing. Annual site monitoring costs are estimated at \$10,000 per annum.

The Ramsay site was closed in 1996 with a layer of cover material of a mixture of sand, silt stone and some clay. Annual site monitoring costs are estimated at \$10,000 per annum.

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 twenty-five 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.

Estimated total expenditures represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at the Municipality's average long term borrowing rate of 2.0% and using an assumed rate of 2.0% for inflation. The estimated total landfill closure and post-closure care expenditures are calculated to be approximately \$1,505,000. For sites that are inactive, the estimated liability for these expenditures is recognized immediately. Included in liabilities on the Consolidated Statement of Financial Position at December 31, 2018 is an amount of \$831,179 (2017 \$816,179) with respect to landfill closure and post-closure liabilities recognized to date.

15. Risk Management

In the normal course of operations, the Municipality is exposed to a variety of financial risks which are actively managed by the Municipality.

The Municipality's financial instruments consist of cash, investments, accounts receivable and accounts payable and accrued liabilities. The fair values of cash, investments and accounts payable and accrued liabilities approximate their carrying values because of their expected short term maturity and treatment on normal trade terms.

The Municipality's exposure to and management of risk has not changed materially from December 31, 2017.

**Municipality of Mississippi Mills
Notes to the Consolidated Financial Statements**

December 31, 2018

15. Risk Management / continued

Credit Risk

Credit risk arises from the possibility that the entities to which the Municipality provides services to may experience difficulty and be unable to fulfill their obligations. The Municipality is exposed to financial risk that arises from the credit quality of the entities to which it provides services. The Municipality does not have a significant exposure to any individual customer or counter party. As a result, the requirement for credit risk related reserves for accounts receivable is minimal.

Interest Rate Risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Municipality is exposed to financial risk that arises from the interest rate differentials between the market interest rate and the rates on its cash and cash equivalents and operating loan. Changes in variable interest rates could cause unanticipated fluctuations in the Municipality's operating results.

Liquidity Risk

Liquidity risk is the risk that the Municipality will not be able to meet its obligations as they fall due. The Municipality requires working capital to meet day-to-day operating activities. Management expects that the Municipality's cash flows from operating activities will be sufficient to meet these requirements.

16. Tangible Capital Assets

	2018	2017
	\$	\$
Land	329,643	329,636
Landfill Sites	38,909	42,759
Buildings	11,190,495	10,911,335
Vehicles	4,272,626	3,626,412
Equipment		
Parks	1,426,898	1,486,632
Streetlights and traffic lights	1,029,506	705,174
Other	975,626	844,778
Water and Sewer Facilities / Networks		
Linear assets	14,223,785	13,419,708
Water tower	674,250	731,694
Wells, lagoons, pumping stations	25,866,048	26,679,840
Linear Assets		
Roads	7,371,199	6,377,447
Sidewalks and curbs	2,125,392	2,041,825
Bridges and culverts	6,278,018	3,434,765
Construction in Progress	460,816	977,582
	76,263,211	71,609,587

For additional information, see Schedule 2 ▶ Tangible Capital Assets.

Municipality of Mississippi Mills

Notes to the Consolidated Financial Statements

December 31, 2018

17. Segmented Information

The Municipality is a diversified municipal government that provides a wide range of services to its citizens. The services are provided by departments and their activities are reported in the consolidated statement of operations.

Departments have been separately disclosed in the segmented information, along with the service they provide, are set out in the schedule below.

For each reported segment, expenditures represent 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 accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 2.

2018	Salaries, Wages & Employee Benefits	Debenture Debt Interest	Materials & Services	External Transfers	Amortization	Total
\$	\$	\$	\$	\$	\$	\$
General Government						
Governance	206,711	---	43,635	---	---	250,346
Corporate Management	1,030,517	83,268	696,064	---	174,680	1,984,529
Protection to Persons and Property						
Fire	389,637	38,321	269,509	---	187,393	884,860
Police	600	---	1,873,350	---	---	1,873,950
Conservation Authority	---	---	---	73,171	---	73,171
Protective Inspection	490,750	---	90,740	---	5,779	587,269
Transportation						
Roadways	1,010,138	132,174	1,400,851	---	1,099,607	3,642,770
Winter Control	191,825	---	665,496	---	---	857,321
Street Lighting	457	---	98,174	---	68,733	167,364
Environmental						
Sanitary Sewer and Waterworks	354,448	308,695	2,286,458	---	1,243,875	4,193,476
Waste Services	60,919	---	1,491,007	---	5,316	1,557,242
Social and Family						
Child Care	1,552,689	---	189,561	---	14,002	1,756,252
Recreation and Cultural Services						
Recreation Facilities & Programs	602,513	32,836	950,476	246,788	302,000	2,134,613
Libraries	486,642	---	127,334	51,033	90,882	755,891
Cultural Services	---	---	---	10,432	---	10,432
Planning and Development						
Planning & Zoning	192,433	---	166,372	---	---	358,805
Economic Development	97,513	7,499	113,673	---	---	218,685
Agriculture	2,965	2,124	---	---	---	5,089
2018	6,670,757	604,917	10,462,700	381,424	3,192,267	21,312,065

**Municipality of Mississippi Mills
Notes to the Consolidated Financial Statements**

December 31, 2018

17. Segmented Information / continued

2017	Salaries, Wages & Employee Benefits	Debenture Debt Interest	Materials & Services	External Transfers	Amortization	Total
\$	\$	\$	\$	\$	\$	\$
General Government						
Governance	209,008	---	44,526	---	---	253,534
Corporate Management	768,232	82,404	395,572	---	177,060	1,423,268
Protection to Persons and Property						
Fire	322,625	22,076	253,739	---	177,087	775,527
Police	700	---	1,826,567	---	---	1,827,267
Conservation Authority	---	---	---	68,796	---	68,796
Protective Inspection	424,258	---	152,934	8,409	2,957	588,558
Transportation						
Roadways	957,753	106,554	1,346,716	---	947,598	3,358,621
Winter Control	192,112	---	670,903	---	---	863,015
Street Lighting	492	---	164,299	---	62,510	227,301
Environmental						
Sanitary Sewer and Waterworks	323,806	314,822	2,196,482	---	1,252,849	4,087,959
Waste Services	50,050	---	1,464,812	---	1,531	1,516,393
Social and Family						
Child Care	1,461,223	---	183,435	---	14,002	1,658,660
Recreation and Cultural Services						
Recreation Facilities & Programs	768,228	32,696	673,509	325,472	291,961	2,091,866
Libraries	417,071	---	83,956	49,575	73,582	624,184
Cultural Services	975	---	2,199	19,823	---	22,997
Planning and Development						
Planning & Zoning	198,658	---	107,117	---	---	305,775
Economic Development	90,637	9,249	118,940	---	8,743	227,569
Agriculture	---	---	2,338	---	---	2,338
2017	6,185,828	567,801	9,688,044	472,075	3,009,880	19,923,628

**Municipality of Mississippi Mills
Notes to the Consolidated Financial Statements**

December 31, 2018

18. Budget Figures

The 2018 budget amounts that were approved were not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Board Standards). The budget included capital items such as infrastructure replacements and estimated costs for constructed assets, as program expenses, but the actual expenses have been removed in the Statement of Operations. The revenues attributable to these items continue to be included in the Statement of Operations, resulting in a significant variance. The following analysis is provided to assist readers in their understanding of differences between the approved budget and the audited financial statements:

	Budget	Actual
	\$	\$
Total Revenues	19,632,718	21,455,881
Total Expenditures	21,344,253	21,312,065
Net (Expenditures) Revenues	(1,711,535)	143,816
Amortization	3,248,533	3,192,267
Adjusted Net Revenues	1,536,998	3,336,083
Capital Revenues	1,512,613	2,915,823
Funds Available	3,049,611	6,251,906
Capital Expenditures	(9,252,896)	(8,011,581)
Disposal of tangible capital assets	---	165,690
Net Change in Investment in:		
Ottawa River Power Corporation	---	(117,734)
Ottawa River Energy Solutions Inc.	---	(9,729)
Mississippi River Power Corporation	---	51,499
Principal Repayments	(1,042,417)	(958,266)
Net Long Term Debt Acquired	6,294,105	2,182,500
Decrease in Operating Surplus	(951,597)	(445,715)
Allocated as follows:		
Net transfers (from) to reserves	(951,597)	1,073,248
Net increase in unfinanced capital	---	(1,518,963)
	(951,597)	(445,715)

Municipality of Mississippi Mills
Schedule 1 ▶ Continuity of Reserves and Reserve Funds

For the year ended December 31	(Note 18) Budget	2018	2017
	\$	\$	\$
Net Transfers From/(To) Other Funds			
Transfers from operations	726,003	2,884,523	2,083,927
Transfers to capital acquisitions	(1,677,600)	(1,811,275)	(1,651,653)
Total Net Transfers	(951,597)	1,073,248	432,274
Reserves and Reserve Fund Balances, Change in Year	(951,597)	1,073,248	432,274
Reserves and Reserve Fund Balances, Beginning of Year	8,155,599	8,155,599	7,723,325
Reserves and Reserve Fund Balances, End of Year	7,204,002	9,228,847	8,155,599

Composition of Reserves and Reserve Funds

For the year ended December 31	2018	2017
	\$	\$
Reserves set aside for specific purposes by Council: For the Municipality of Mississippi Mills		
For Operating Purposes		
▶ for working capital	1,100,000	1,100,000
▶ for contingencies	496,316	701,250
▶ for library	125,936	98,879
▶ for winter control	55,820	55,820
▶ for protection to persons and property	466,145	300,766
▶ for planning and zoning	2,159	42,159
▶ for economic development	127,569	95,432
▶ for parking	32,738	32,738
▶ for daycare	470,194	131,728
▶ for the Former Township of Ramsay - general purposes	2,640	2,917
▶ for the Former Township of Pakenham - general purposes	267	8,490
	2,879,784	2,570,179
For Capital Purposes		
▶ for acquisition of capital assets	1,715,407	1,348,843
▶ for public works	476,896	644,742
▶ for recreation	239,615	312,394
▶ for fire	40,149	38,026
▶ for waste management	1,263,941	1,113,332
▶ for the Former Town of Almonte - water and sewer	2,383,772	1,956,514
▶ for septage system	229,283	171,569
	6,349,063	5,585,420
Total Reserves and Reserve Funds	9,228,847	8,155,599

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

**Municipality of Mississippi Mills
Schedule 2 ▸ 2018 Tangible Capital Assets**

Asset Class	Cost 01/01/18	Additions	(Disposals)	Cost 31/12/18
	\$	\$	\$	\$
Land	329,636	7	---	329,643
Landfill Sites	112,423	---	---	112,423
Buildings	17,996,192	730,069	---	18,726,261
Vehicles	6,681,914	1,150,996	(785,242)	7,047,668
Equipment				
Parks	2,161,243	37,000	---	2,198,243
Streetlights and traffic lights	3,179,016	393,065	(395,675)	3,176,406
Other	3,255,617	287,424	(42,995)	3,500,046
Water and Sewer				
Linear assets	18,837,495	1,136,701	(34,204)	19,939,992
Water tower	1,701,978	---	---	1,701,978
Wells, lagoons, pumping stations	32,412,262	---	---	32,412,262
Linear Assets				
Roads	14,549,573	1,659,500	(187,270)	16,021,803
Sidewalks and curbs	3,383,497	158,944	(4,595)	3,537,846
Bridges and culverts	4,304,043	2,974,641	---	7,278,684
Construction in Progress	977,582	(516,766)	---	460,816
	109,882,471	8,011,581	(1,449,981)	116,444,071

Asset Class	Accumulated Amortization 01/01/18	Amortization	(Disposals)	Accumulated Amortization 31/12/18	Net Book Value 31/12/18
	\$	\$	\$	\$	\$
Land	---	---	---	---	329,643
Landfill Sites	69,664	3,850	---	73,514	38,909
Buildings	7,084,857	450,909	---	7,535,766	11,190,495
Vehicles	3,055,502	339,092	(619,552)	2,775,042	4,272,626
Equipment					
Parks	674,611	96,734	---	771,345	1,426,898
Streetlights and traffic lights	2,473,842	68,733	(395,675)	2,146,900	1,029,506
Other	2,410,839	156,576	(42,995)	2,524,420	975,626
Water and Sewer					
Linear assets	5,417,787	332,624	(34,204)	5,716,207	14,223,785
Water tower	970,284	57,444	---	1,027,728	674,250
Wells, lagoons, pumping stations	5,732,422	813,792	---	6,546,214	25,866,048
Linear Assets					
Roads	8,172,126	665,748	(187,270)	8,650,604	7,371,199
Sidewalks and curbs	1,341,672	75,377	(4,595)	1,412,454	2,125,392
Bridges and culverts	869,278	131,388	---	1,000,666	6,278,018
Construction in Progress	---	---	---	---	460,816
	38,272,884	3,192,267	(1,284,291)	40,180,860	76,263,211

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

**Municipality of Mississippi Mills
Schedule 2 ▶ 2017 Tangible Capital Assets**

Asset Class	Cost 01/01/17	Additions	(Disposals)	Cost 31/12/17
	\$	\$	\$	\$
Land	319,900	9,736	---	329,636
Landfill Sites	112,423	---	---	112,423
Buildings	16,543,162	1,453,030	---	17,996,192
Vehicles	5,995,145	913,858	(227,089)	6,681,914
Equipment				
Parks	1,198,111	963,132	---	2,161,243
Streetlights and traffic lights	3,165,116	13,900	---	3,179,016
Other	3,002,943	252,674	---	3,255,617
Water and Sewer				
Linear assets	16,965,236	1,939,584	(67,325)	18,837,495
Water tower	1,701,978	---	---	1,701,978
Wells, lagoons, pumping stations	32,244,845	167,417	---	32,412,262
Linear Assets				
Roads	13,005,683	1,543,890	---	14,549,573
Sidewalks and curbs	3,229,423	203,107	(49,033)	3,383,497
Bridges and culverts	3,473,333	830,710	---	4,304,043
Construction in Progress	823,646	153,936	---	977,582
	101,780,944	8,444,974	(343,447)	109,882,471

Asset Class	Accumulated Amortization 01/01/17	Amortization	(Disposals)	Accumulated Amortization 31/12/17	Net Book Value 31/12/17
	\$	\$	\$	\$	\$
Land	---	---	---	---	329,636
Landfill Sites	65,814	3,850	---	69,664	42,759
Buildings	6,657,230	427,627	---	7,084,857	10,911,335
Vehicles	2,945,741	336,850	(227,089)	3,055,502	3,626,412
Equipment					
Parks	594,181	80,430	---	674,611	1,486,632
Streetlights and traffic lights	2,412,592	61,250	---	2,473,842	705,174
Other	2,265,351	145,488	---	2,410,839	844,778
Water and Sewer					
Linear assets	5,153,001	332,111	(67,325)	5,417,787	13,419,708
Water tower	912,857	57,427	---	970,284	731,694
Wells, lagoons, pumping stations	4,908,159	824,263	---	5,732,422	26,679,840
Linear Assets					
Roads	7,599,162	572,964	---	8,172,126	6,377,447
Sidewalks and curbs	1,285,635	105,070	(49,033)	1,341,672	2,041,825
Bridges and culverts	806,728	62,550	---	869,278	3,434,765
Construction in Progress	---	---	---	---	977,582
	35,606,451	3,009,880	(343,447)	38,272,884	71,609,587

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



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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Municipality of Mississippi Mills:

Opinion

We have audited the statement of financial statements of the trust fund of the Corporation of the Municipality of Mississippi Mills (the 'Entity'), which comprise:

- the statement of financial position as at December 31, 2018;
- the statement of financial activities for the year then ended;
- and the notes to the 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 financial position of the Entity as at December 31, 2018, and its financial activities 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 auditor's 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 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 Entity'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 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.

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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 of 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 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 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.
- 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.



Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario
June 4, 2019.

**Municipality of Mississippi Mills
Trust Fund
Statement of Financial Position**

December 31	2018	2017
	\$	\$
ASSETS		
Cash	---	---
LIABILITIES		
Fund balance	---	---

Statement of Operations

For the year ended December 31	2018	2017
	\$	\$
REVENUES		
Bank interest	---	---
EXPENDITURES		
Cenotaph repairs	---	6,805
NET REVENUES (EXPENDITURES) FOR THE YEAR	---	(6,805)
BALANCE AT THE BEGINNING OF THE YEAR	---	6,805
BALANCE AT THE END OF THE YEAR	---	---

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

**Municipality of Mississippi Mills
Trust Fund
Notes to the Financial Statements**

December 31, 2018

1. Significant Accounting Policies

Reporting Entity

Perpetual care receipts, for the war memorial, are reported on the cash basis of accounting and interest income is reported on the accrual basis of accounting.

Expenditures are reported on the cash basis of accounting with the exception of administrative expenses which 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.



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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Municipality of Mississippi Mills:

Opinion

We have audited the financial statements of the Corporation of the Municipality of Mississippi Mills Public Library Board (the 'Entity'), which comprise:

- the statement of financial position as at December 31, 2018;
- the statement of operations and accumulated surplus for the year then ended;
- the statement of changes in net financial assets for the year then ended;
- the statement of cash flows for the year then ended;
- and the notes to the 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 financial position of the Entity as at December 31, 2018, and its results of operations, its changes 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 '**Auditors' Responsibilities for the Audit of the Financial Statements**' section of our auditor's 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 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 Entity'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 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.

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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 of 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 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 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.
- 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.



Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario
June 4, 2019.

**Municipality of Mississippi Mills
Public Library Board
Statement of Financial Position**

December 31	2018	(Note 6) 2017
	\$	\$
ASSETS		
Financial Assets		
Cash and short term deposits	83	112
Accounts receivable	12,813	3,680
Due from Town of Mississippi Mills	19,657	43,019
	32,553	46,811
LIABILITIES		
Accounts payable and accrued liabilities	15,219	16,660
Other current liabilities	17,334	30,151
	32,553	46,811
NET FINANCIAL ASSETS	---	---
NON-FINANCIAL ASSETS		
Tangible capital assets (note 4)	1,381,947	1,424,225
ACCUMULATED SURPLUS (note 3)	1,381,947	1,424,225

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

**Municipality of Mississippi Mills
Public Library Board
Statement of Operations**

For the year ended December 31	(Note 5) Budget	2018	2017
	\$	\$	\$
REVENUES			
Government Grants			
Municipal Grants	575,424	555,213	533,002
Province of Ontario	31,848	64,702	50,344
Federal Grants	12,000	10,673	---
User Charges			
Programs	---	393	---
Rentals	1,900	2,330	2,753
Photocopy charges	1,400	1,902	1,667
Other Income			
Fines	10,400	12,450	11,857
Donations, book sales, miscellaneous	4,450	4,130	2,256
TOTAL REVENUES	637,422	651,793	601,879
EXPENDITURES			
Salaries, wages, employee benefits	461,091	486,642	417,070
Library materials	16,000	15,010	16,610
Administration	34,360	32,649	29,692
Insurance	2,270	3,181	3,094
Building maintenance and utilities	53,108	45,995	30,104
Programs	---	1,179	3,911
Contribution to Carleton Place Public Library	52,910	51,033	49,575
Minor capital	50,300	37,300	---
Amortization	90,000	90,882	73,584
TOTAL EXPENDITURES	760,039	763,871	623,640
NET EXPENDITURES FROM OPERATIONS	(122,617)	(112,078)	(21,761)
OTHER			
Grants and transfers related to capital			
Municipal contribution to tangible capital assets	106,550	22,524	241,429
Deferred revenues earned	51,750	32,500	371,714
Government grants	---	---	245,341
Fundraising and donations	45,000	14,776	184,328
	203,300	69,800	1,042,812
ANNUAL (DEFICIT) SURPLUS	80,683	(42,278)	1,021,051
ACCUMULATED SURPLUS, BEGINNING OF YEAR	1,424,225	1,424,225	403,174
ACCUMULATED SURPLUS, END OF YEAR	1,504,908	1,381,947	1,424,225

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

**Municipality of Mississippi Mills
Public Library Board
Statement of Changes in Net Financial Assets**

For the year ended December 31	2018	2017
	\$	\$
ANNUAL (DEFICIT) SURPLUS	(42,278)	1,021,051
Amortization of tangible capital assets	90,882	73,584
Acquisition of tangible capital assets	(48,604)	(1,094,635)
	42,278	(1,021,051)
INCREASE IN NET FINANCIAL ASSETS	---	---
NET DEBT, BEGINNING OF YEAR	---	---
NET FINANCIAL ASSETS, END OF YEAR	---	---

Statement of Cash Flows

For the year ended December 31	2018	2017
	\$	\$
OPERATING ACTIVITIES		
Annual (deficit) surplus	(42,278)	1,021,051
Non cash changes ▶ amortization	90,882	73,584
	48,604	1,094,635
Net Change in Non-Cash Working Capital Items		
Accounts receivable	(9,133)	(14,103)
Due from Municipality	23,362	49
Accounts payable and accrued liabilities	(1,441)	4,023
Other current liabilities	(12,817)	10,027
	(29)	(4)
Working Capital from Operations	48,575	1,094,631
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(48,604)	(1,094,635)
NET DECREASE IN CASH	(29)	(4)
CASH, BEGINNING OF YEAR	112	116
CASH, END OF YEAR	83	112

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

**Municipality of Mississippi Mills
Public Library Board
Notes to the Financial Statements**

December 31, 2018

1. Status of the Board

The Mississippi Mills Public Library Board (the 'Board') was established under the Public Library Act, 1992, R.S.O. 1990 in accordance with the Section 15 of the Minister of Municipal Affairs Restructuring Order which amalgamated the former Town of Almonte and the Townships of Ramsay and Pakenham.

2. Significant Accounting Policies

The financial statements of the Mississippi Mills Public Library Board are the representations of management and have been prepared in all material respects in accordance with Canadian Public Sector Accounting Standards Board ('PSAB'). Significant aspects of the accounting policies adopted by the Board are as follows:

Reporting Entity

The financial statements reflect financial assets, liabilities, operating revenues and expenditures, reserves, reserve funds and changes in investment in tangible capital assets of the Board.

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. Expenditures are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.

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 excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

Tangible Capital Assets

Tangible capital assets are recorded at cost, which include 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:

Assets	Estimated Useful Life
Building	40 years
Books	7 years

One half of the annual amortization is charged in the year of acquisition and the year of disposal. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

**Municipality of Mississippi Mills
Public Library Board
Notes to the Financial Statements**

December 31, 2018

2. Significant Accounting Policies / continued

Tangible Capital Assets / continued

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 other assets as of the date of transfer.

When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the statement of operations in the year of disposal. 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.

When conditions indicate that a tangible capital asset no longer contributes to the Board's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the statement of operations.

Cash and Cash Equivalents

The Board considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less.

Government Transfers

Government transfers are recognized in the financial statements as revenues 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 made.

Deferred Revenue

The Board defers recognition of user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

The Board receives restricted contributions under the authority of Federal and Provincial legislation and Board by-laws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

Deferred revenue represents certain user charges and fees which have been collected but for which the related services have yet to be performed. Deferred revenue also represents contributions that the Board has received pursuant to legislation, regulation or agreement that may only be used for certain programs or in the completion of specific work. These amounts are recognized as revenue in the fiscal year the services are performed or related expenses incurred.

**Municipality of Mississippi Mills
Public Library Board
Notes to the Financial Statements**

December 31, 2018

2. Significant Accounting Policies / continued

Financial Instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Board has classified each financial instrument into one of the following categories: held-for-trading financial assets and liabilities, loans and receivables, held-to-maturity financial assets and other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Held-for-trading financial assets and liabilities are subsequently measured at fair value with changes in those fair values recognized in net revenues.

Loans and receivables, held-to-maturity financial assets and other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Board classifies cash and cash equivalents as held-for-trading financial assets, accounts receivable as loans and receivables, and accounts payable and accrued liabilities as other financial liabilities.

Measurement Uncertainty

The preparation of financial statements 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 revenue and expenditures during the period. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

3. Accumulated Surplus

Accumulated surplus consists of individual fund surplus (deficit) and reserves as follows:

	2018	2017
	\$	\$
Surplus		
Invested in tangible capital assets	1,381,947	1,424,225
Deficit	---	---
Accumulated Surplus	1,381,947	1,424,225

**Municipality of Mississippi Mills
Public Library Board
Notes to the Financial Statements**

December 31, 2018

4. Tangible Capital Assets

Net Book Value of Assets	2018	2017
	\$	\$
Buildings	1,226,040	1,270,665
Books	155,907	153,560
	1,381,947	1,424,225

For additional information, see Schedule 1 ▶ Tangible Capital Assets.

5. Budget Figures

Mississippi Mills Public Library Board reviews its operating and capital budgets each year. The approved operating budget for 2018 is included in the budget figures presented in the Consolidated Statement of Operations.

6. Comparative Information

During 2018, the original cost and net book value were reconciled to the detailed list of tangible capital assets. Current year data is presented with the corrected value.

**Municipality of Mississippi Mills
Public Library Board
Schedule 1 ▶ Tangible Capital Assets**

December 31, 2018

Assets	Cost 01/01/18	Additions (Disposals)	Cost 31/12/18	Accumulated Amortization 01/01/18	Amortization 2018	Accumulated Amortization 31/12/18	Net Book Value 31/12/18
	\$	\$	\$	\$	\$	\$	\$
Buildings	1,789,829	---	1,789,829	519,164	44,625	563,789	1,226,040
Books	1,309,366	48,604	1,357,970	1,155,806	46,257	1,202,063	155,907
	3,099,195	48,604	3,147,799	1,674,970	90,882	1,765,852	1,381,947

December 31, 2017

Assets	Cost 01/01/17	Additions (Disposals)	Cost 31/12/17	Accumulated Amortization 01/01/17	Amortization 2017	Accumulated Amortization 31/12/17	Net Book Value 31/12/17
	\$	\$	\$	\$	\$	\$	\$
Buildings	747,017	1,042,812	1,789,829	486,767	32,397	519,164	1,270,665
Books	1,257,543	51,823	1,309,366	1,114,619	41,187	1,155,806	153,560
	2,004,560	1,094,635	3,099,195	1,601,386	73,584	1,674,970	1,424,225

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

**Municipality of Mississippi Mills
Day Care Centre
Statement of Operations**

For the year ended December 31	(Note 18) Budget	2018	2017
	\$	\$	\$
REVENUES			
Grants			
County of Lanark	592,195	939,195	728,705
Municipality of Mississippi Mills	13,587	(325,294)	(43,979)
User charges			
Child care fees	914,000	1,091,238	895,800
Other			
Contribution from developers	13,000	13,000	13,000
Fundraising	5,000	4,819	2,949
TOTAL REVENUES	1,537,782	1,722,958	1,596,475
EXPENDITURES			
Salaries ▶ supervisory and teaching	1,095,303	1,216,494	1,133,468
▶ other	64,918	65,892	73,695
Employee benefits	244,111	270,303	254,060
Staff travel and training	5,000	7,790	2,825
Food and kitchen supplies	56,800	67,291	53,623
Insurance	2,150	1,989	2,926
Program supplies	31,000	37,262	24,075
Property operations and maintenance	32,500	36,275	34,864
Office and other	5,000	9,447	14,749
Bad debt	1,000	10,215	2,190
TOTAL EXPENDITURES	1,537,782	1,722,958	1,596,475
NET REVENUES FOR THE YEAR	---	---	---

**Municipality of Mississippi Mills
Waterworks Operations Schedule
Statement of Operations**

For the year ended December 31	(Note 18) Budget	2018	2017
	\$	\$	\$
REVENUES			
User charges			
Water bill revenue	2,861,065	3,077,574	2,829,633
Hydrant rental	3,500	3,500	3,500
Rent	19,800	19,800	21,600
Miscellaneous fees and service charges	39,600	60,268	77,371
Other			
Contribution from developers	368,297	363,417	279,302
Government transfers	51,700	89,298	335,675
Interest ▶ Ottawa River Power Corporation	64,680	54,057	70,789
▶ Mississippi River Power Corporation	66,000	189,750	206,660
Interest and penalty	67,520	81,493	66,710
TOTAL REVENUES	3,542,162	3,939,157	3,891,240
EXPENDITURES			
Current Operations			
Administration	218,779	214,688	240,671
Sanitary sewer maintenance	75,541	76,653	67,910
Water distribution ▶ general	5,000	10,635	5,260
▶ maintenance	217,681	243,840	202,307
Meter installation and maintenance	41,250	57,697	44,081
Billing and collecting	13,280	9,039	7,469
Pump houses and lagoons	1,521,358	1,462,626	1,542,241
Interest on long term debt	309,872	308,695	314,822
Principal on long term debt	185,325	185,325	175,305
	2,588,086	2,569,198	2,600,066
Capital			
Sewer and watermain reconstruction	995,000	869,300	845,971
Plant upgrades	606,100	363,645	493,068
Other construction and equipment	169,900	101,331	182,673
	1,771,000	1,334,276	1,521,712
TOTAL EXPENDITURES	4,359,086	3,903,474	4,121,778
NET REVENUES (EXPENDITURES) FOR THE YEAR	(816,924)	35,683	(230,538)
FINANCING AND TRANSFERS			
Proceeds of long term debt	595,015	---	209,980
Transfers to reserves	(362,091)	(1,014,022)	(598,907)
Transfers from reserves	584,000	586,765	741,851
	816,924	(427,257)	352,924
(DECREASE) INCREASE IN FUND BALANCES	---	(391,574)	122,386



Management's Responsibility for the Financial Statements

The accompanying financial statements of the Mississippi River Power Corporation are the responsibility of the Corporation's management and have been prepared in compliance with legislation, and in accordance with International Financial Reporting Standards. A summary of significant accounting policies are described in note 2 to the financial statements. The preparation of financial statements necessarily involved the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Corporation'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 financial statements. These systems are monitored and evaluated by management.

Management meets with the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters. The Board of Directors meets with management subsequently to review these same matters prior to the Board's approval of the financial statements.

The financial statements have been audited by Allan and Partners LLP, independent external auditors appointed by the Corporation. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Corporation's financial statements.

Paul Virgin, President

Scott J. Newton, General Manager



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of the Mississippi River Power Corporation:

Opinion

We have audited the financial statements of the Mississippi River Power Corporation (the 'Entity'), which comprise:

- the statement of financial position as at December 31, 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net equity for the year then ended;
- the statement of cash flows for the year then ended;
- and the notes to the 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 financial position of the Entity as at December 31, 2018, and its financial performance, its changes in net equity and its cash flows for the year then ended in accordance with International Financial Reporting 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 auditor's 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 the financial statements in accordance with International Financial Reporting 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 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.

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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 of 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 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 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.
- 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.



Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario
March 4, 2019.

Mississippi River Power Corporation
Statement of Financial Position
(Expressed in Canadian Dollars)

December 31	2018	2017
	\$	\$
ASSETS		
Current Assets		
Cash	2,048,580	2,400,956
Accounts receivable (net of allowance)	1,096,351	1,074,468
Government taxes receivable	199,498	---
Payment in lieu of income taxes receivable (note 6)	113,346	---
Deferred expenses	---	87,746
Prepaid expenses	47,407	46,171
	3,505,182	3,609,341
Non-Current Assets		
Property, plant and equipment (note 3)	19,486,565	17,678,507
	22,991,747	21,287,848
EQUITY AND LIABILITIES		
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	500,716	273,193
Government taxes payable	---	155,113
Payments in lieu of income taxes payable (note 6)	---	12,675
Deferred revenue	---	700
Interest payable	238,866	119,433
Dividend payable	225,000	---
Short term financial liabilities (note 5)	616,369	444,715
	1,580,951	1,005,829
Non-Current Liabilities		
Long term financial liabilities (note 5)	19,308,632	18,155,756
Deferred tax liabilities (note 6)	475,000	447,600
	19,783,632	18,603,356
EQUITY		
Capital Stock	2,000	2,000
Retained Earnings	1,625,164	1,676,663
	1,627,164	1,678,663
	22,991,747	21,287,848

Basis of Presentation (note 1) Commitments (note 9)
and Contingent Liabilities (note 10)

On Behalf of the Board:

_____, Chair _____, Director

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

Mississippi River Power Corporation
Statement of Comprehensive Income and Changes in Equity
(Expressed in Canadian Dollars)

For the year ended December 31	(Note 13) Budget	2018	2017
	\$	\$	\$
Revenue ▶ sale of power	2,306,244	2,454,078	3,900,455
Cost of Power ▶ Direct Expenses			
Amortization ▶ plant and equipment	638,440	665,733	638,440
Heat, light and power	28,000	14,284	27,728
Insurance	26,695	27,163	31,521
Plant automation	48,000	5,594	3,789
Repairs and maintenance ▶ building	47,500	31,990	88,639
▶ equipment	121,150	83,021	83,564
▶ engineering fees	35,000	86,480	104,444
▶ vehicle	5,200	4,408	3,209
Taxes, fees and licences	15,586	15,586	15,586
Wages and benefits	90,000	82,734	88,618
	1,055,571	1,016,993	1,085,538
Income Before Operating Expenses	1,250,673	1,437,085	2,814,917
Operating Expenses			
Advertising and promotion	10,000	6,729	5,582
Amortization	29,578	31,028	31,377
Finance			
Bank charges and interest	2,000	1,518	2,149
Debenture interest	763,940	763,257	780,894
Loan interest	153,308	156,309	153,566
Feasibility studies	53,100	53,033	133,837
Occupancy			
Heat, light and power	8,900	6,712	7,079
Insurance	1,582	1,582	1,582
Repairs and maintenance ▶ building	37,500	33,588	14,784
▶ equipment	1,700	1,915	1,182
▶ grounds keeping	25,550	19,759	21,990
Taxes, fees and licenses	6,250	6,075	6,059
Office			
Bookkeeping	3,000	2,289	2,268
Office	9,000	6,570	6,982
Telephone and communications	10,000	7,701	9,716
Professional fees	15,500	11,563	13,485
Wages			
Directors fees	31,500	31,000	28,000
Wages and benefits	122,434	113,760	121,672
	1,284,842	1,254,388	1,342,204
Operating Income (Loss)	(34,169)	182,697	1,472,713
Other Income and Expense			
Other income and net rent	5,700	33,088	20,200
Income (Expense) Before Amount in Lieu of Income Taxes	(28,469)	215,785	1,492,913

Continued on Next Page

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

Mississippi River Power Corporation
Statement of Comprehensive Income and Changes in Equity
(Expressed in Canadian Dollars)

For the year ended December 31	(Note 13) Budget	2018	2017
	\$	\$	\$
Income (Expense) Before Amount in Lieu of Income Taxes / continued	(28,469)	215,785	1,492,913
Income Taxes (note 6)			
Payment in lieu of income taxes	(6,548)	14,884	152,675
Deferred income taxes	---	27,400	180,600
	(6,548)	42,284	333,275
Net Income (Loss) for the Year	(21,921)	173,501	1,159,638
Retained Earnings, Beginning of Year	1,676,663	1,676,663	742,025
Dividends	(225,000)	(225,000)	(225,000)
Retained Earnings, End of Year	1,429,742	1,625,164	1,676,663

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

Mississippi River Power Corporation
Statement of Cash Flows
(Expressed in Canadian Dollars)

For the year ended December 31	2018	2017
	\$	\$
Cash Flows from Operating Activities		
Net income for the year	173,501	1,159,638
Amortization	696,761	669,817
Income tax expense	27,400	180,600
	897,662	2,010,055
Movements in Working Capital		
Accounts receivable	(21,883)	(241,147)
Government taxes receivable	(199,498)	6,242
Payments in lieu of income taxes receivable	(113,346)	---
Deferred expenses	87,746	32,732
Prepaid expenses	(1,236)	5,432
Accounts payable and accrued liabilities	227,523	138,891
Government taxes payable	(155,113)	155,113
Payments in lieu of income taxes payable	(12,675)	12,675
Deferred revenue	(700)	(700)
Interest payable	119,433	---
Dividend payable	225,000	---
	155,251	109,238
Cash Flows from Investing Activities		
Payments to acquire capital assets (note 3)	(2,504,819)	(69,512)
Cash Flows from Financing Activities		
Dividends paid and payable	(225,000)	(225,000)
Advance of long term borrowings	1,783,888	---
Repayment of long term borrowings	(459,358)	(425,783)
	1,099,530	(650,783)
Change in Cash, During the Year	(352,376)	1,398,998
Cash, Beginning of Year	2,400,956	1,001,958
Cash, End of Year	2,048,580	2,400,956

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

Mississippi River Power Corporation

Notes to the Financial Statements

December 31, 2018

The Mississippi River Power Corporation (the 'Corporation') was incorporated in Canada under the Business Corporations Act (Ontario) on April 27, 2000 by the Municipality of Mississippi Mills, its sole shareholder, to comply with provincial legislation. This Corporation's principal activities include the generation and sale of hydro-electric power in the Municipality of Mississippi Mills, Ontario and is regulated by the Ontario Energy Board (OEB). The address of the Corporation's registered office is 28 Mill Street, P. O. Box 179, Almonte, Ontario, K0A 1A0.

1. Basis of Presentation

Statement of Compliance

The financial statements of the Mississippi River Power Corporation are the representation of management and are prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and the interpretations are issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB.

Basis of Measurement

The financial statements have been prepared on the historical cost basis.

Functional and Presentation Currency

The financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented has been rounded to the nearest dollar.

Use of Estimates and Judgments

The presentation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Corporation's accounting policies. The areas involving a higher degree of judgment, complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in each relevant significant accounting policy where applicable.

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

2. Significant Accounting Policies

The preparation and presentation of the financial statements can be significantly affected by the accounting policies selected by the Corporation. The financial statements reflect the following significant accounting policies, which are an integral part of understanding them.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise indicated.

Mississippi River Power Corporation

Notes to the Financial Statements

December 31, 2018

2. Significant Accounting Policies / continued

Revenues

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Corporation recognizes revenue when it transfers control over a product or service to a customer.

The Corporation's principal activities include the generation and sale of hydro-electric power within the Municipality of Mississippi Mills. The sales are made between the Corporation and Ottawa River Power Corporation. It is regulated by the Ontario Energy Board (OEB).

Receivables, from contracts with customers, are included in 'accounts receivable' on the statement of financial position.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held on demand with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

Financial Assets

Financial assets are classified as loans and receivables.

These include cash and accounts receivable. Collectability of accounts receivable is reviewed on an ongoing basis. Accounts receivable which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Corporation will not be able to collect all the amounts due according to the original term of the receivables. In determining the allowance for doubtful accounts, the Corporation considers historical loss experience of account balances based on the aging and arrears status of accounts receivable balances. The amount of the provision is the difference between the asset's carrying amount and the present value of future cash flows. The amount of the provision is recognized in the statement of comprehensive income.

Financial Liabilities

Accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities. These liabilities are measured at amortized cost.

Property, Plant and Equipment

Property, plant and equipment (PP&E) are recorded at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Corporation.

Amortization of PP&E is recorded in the statement of comprehensive income on a straight-line basis over the estimated useful life of the related asset. Half of a year's amortization is taken for the first year, regardless of when the property was actually put into service during the year. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Gains and losses on disposal of an item of PP&E are determined by comparing the net proceeds from disposal with the carrying amount of the asset, and are included in the statement of comprehensive income when the asset is disposed.

Mississippi River Power Corporation

Notes to the Financial Statements

December 31, 2018

2. Significant Accounting Policies / continued

Property, Plant and Equipment / continued

The estimated useful lives are as follows:

Buildings	40 years
Substation	20 years
Generation Equipment	20 years
Office Equipment	10 years
Water Rights	10 years
Vehicles	5 years
Signage	5 years
Safety Equipment	5 years
Computer Equipment	5 years
Paving, Landscaping and Fencing	5 years
Leasehold Improvements	5 - 20 years

Borrowing Costs

The Corporation capitalizes interest expenses and other finance charges directly relating to the acquisition, construction, or production of assets that take a substantial period of time to get ready for its intended use. Capitalization commences when expenditures are being incurred, borrowing costs are being incurred, and activities that are necessary to prepare the assets for its intended use or sale are in progress. Capitalization will be suspended during periods in which active development is interrupted. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

Impairment of Non-Financial Assets

The Corporation conducts assessments of the values of PP&E to determine whether there are events or changes in circumstances that indicate that their carrying amount may not be recoverable. Where carrying value exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly. An impairment loss is charged to the statement of comprehensive income except to the extent it reverses gains previously recognized in other comprehensive income.

Pension Plan

The permanent employees of the Corporation participate in the Ontario Municipal Employees Retirement System ("OMERS"). The Corporation also makes contributions to the OMERS plan on behalf of its employees. The plan has a defined benefit option at retirement available to employees, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay.

Payments in Lieu of Taxes Payable

The Corporation is a Municipal Electricity Utility (MEU) for purposes of the payments in lieu of taxes (PILs) regime contained in the Electricity Act, 1998. As a MEU, the Corporation is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario).

Under the Electricity Act, 1998, the Corporation is required to make, for each taxation year, PILs to Ontario Electricity Financial Corporations ("OEFCC"). These payments are calculated in accordance with rules for computing income and taxable capital and other relevant amounts contained in The Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998 and related regulations.

Mississippi River Power Corporation

Notes to the Financial Statements

December 31, 2018

2. Significant Accounting Policies / continued

Payments in Lieu of Taxes Payable / continued

Provision in lieu of taxes (PILs) is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to items recognized directly in equity.

Current PILs are recognized on the taxable income or loss for the current year plus any adjustment in respect of previous years. Current PILS are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base. The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities/(assets) are settled/(recovered).

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain.

At the end of each reporting period, the Corporation reassesses both recognized and unrecognized deferred tax liabilities.

Finance Income and Finance Costs

Finance income is comprised of interest income on funds invested such as cash and short-term investments. Interest income is recognized as it accrues in the statement of comprehensive income, using the effective interest method.

Finance cost is comprised of interest payable on debt.

Equity

Share capital represents the nominal value of shares that have been issued. Retained Earnings include all current and prior period retained profits. Dividend distribution payable to equity shareholders are included in other liabilities when the dividends have been approved prior to the recording date.

Financial Instruments

(i) Non-Derivative Financial Assets

All of the Corporation's non-derivative financial assets are classified as loans and receivables. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment losses.

The Corporation recognizes loans and receivables on the date they are originated.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Mississippi River Power Corporation
Notes to the Financial Statements

December 31, 2018

2. Significant Accounting Policies / continued

Financial Instruments / continued

(ii) **Non-Derivative Financial Liabilities**

All of the Corporation's non-derivative financial liabilities are classified as other financial liabilities. Other financial liabilities comprise loans and borrowings, and trade and other payables. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method.

The Corporation recognized other financial liabilities on the trade date, which is the date that the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

It is management's opinion that the facility is not exposed to significant interest, currency or credit risks arising from its non-derivative financial instruments.

Standards, Amendments and Interpretations Not Yet Effective

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Corporation.

Management anticipates that all of the relevant pronouncements will be adopted in the Corporation's accounting policies for the first period beginning after the effective date of the pronouncement.

Certain other new standards and interpretations have been issued but are not expected to have material impact on the Corporation's financial statements and therefore have not been described here.

IFRS 16 Leases

IFRS 16 replaces accounting requirements introduced more than 30 years ago that are no longer considered suitable and is a major revision of the way in which companies account for leases. The effective date of IFRS 16 is January 1, 2019. The Corporation is in the process of evaluating the impact of the new standard.

Mississippi River Power Corporation
Notes to the Financial Statements

December 31, 2018

3. Property, Plant and Equipment

	2018			2017
	Cost	Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land	188,253	---	188,253	5,168
Generating Station Building				
▸ Lower Falls	17,640,117	3,654,087	13,986,030	14,253,987
▸ Upper Falls	4,425,064	2,427,702	1,997,362	2,107,988
Millfall Dam	2,053,453	20,536	2,032,917	---
Paving, Landscaping and Fencing	93,576	91,455	2,121	6,367
Generating Equipment	1,870,659	784,921	1,085,738	1,079,826
Substation	119,510	110,780	8,730	10,909
Vehicles	36,946	36,946	---	1,428
Signage	10,890	10,890	---	---
Safety Equipment	18,642	16,721	1,921	3,075
Office Equipment	68,907	62,928	5,979	9,536
Water Rights	27,452	27,452	---	---
Computer Equipment	47,551	47,551	---	---
Leasehold Improvements	275,702	98,188	177,514	200,223
	26,876,722	7,390,157	19,486,565	17,678,507

Additions during the year were as follows:

	2018	2017
	\$	\$
Land ▸ Millfall Dam	183,085	---
Millfall Dam	2,053,453	---
Generation Station ▸ Lower Falls	170,908	44,012
Generating Equipment ▸ plant automation	49,953	25,500
▸ hawk	14,845	---
▸ crane	32,575	---
Total Net Additions	2,504,819	69,512

The Corporation is under contract to purchase and transfer the Millfall Dam land from the Municipality of Mississippi Mills in 2019. It is the Board's view that they are beneficial owners of the land.

4. Bank Indebtedness

The Corporation's financial agreement with its bank provides for an operating credit facility of up to \$200,000 to finance expenses, pending receipt of income. Interest on funds drawn is charged at the bank's prime rate. As at December 31, 2018, there was \$Nil (2017 \$Nil) drawn on the facility.

Mississippi River Power Corporation
Notes to the Financial Statements

December 31, 2018

5. Long Term Debt

	2018	2017
	\$	\$
Ontario Infrastructure Projects Corporation debenture (5.2023%), repayable in blended monthly payments of \$92,673.06, secured by a general security agreement covering all assets, due October 2040.	14,494,566	14,842,703
Bank of Montreal Loan (3.5400%), repayable in blended monthly payments of \$17,673.50, secured by a general security agreement, due November 2028.	1,768,116	---
Bank of Montreal Loan (2.5100%), repayable in monthly payments of \$5,531.59, secured by a general security agreement, due March 2020.	648,668	698,101
Bank of Montreal Loan (2.9400%), repayable in monthly payments of \$2,717.53, secured by a general security agreement, due March 2021.	312,171	335,447
Bank of Montreal Loan (3.3900%), repayable in monthly payments of \$2,779.04, secured by a general security agreement, due March 2022.	312,827	335,567
Municipality of Mississippi Mills promissory note, with no fixed terms of repayment, the term and the interest rate to be renegotiated annually between the Board of Directors and corporate shareholder. Interest accrued for 2018 was at a rate of 5.0000% (2017 5.0000%).	2,388,653	2,388,653
	19,925,001	18,600,471
Less: current portion of long term borrowings	616,369	444,715
	19,308,632	18,155,756

Principal payments falls due as follows:

	\$
2019	616,369
2020	1,189,935
2021	858,461
2022	837,939
2023 and thereafter	16,422,297
	19,925,001

Interest on promissory note is calculated annually and payable annually to the shareholders.

Mississippi River Power Corporation

Notes to the Financial Statements

December 31, 2018

6. Payments in Lieu of Corporate Income Taxes

Statutory Canadian Federal and Provincial tax rates for the current year comprise 15.0% (2017 15.0%) for Federal corporate tax and 11.5% (2017 11.5%) for corporate tax in Ontario. The PILs expense varies from amounts which would be computed by applying the Corporation's combined statutory income tax rate as follows:

	2018	2017
	\$	\$
Income Before Provision for PILs	215,785	1,492,913
Statutory Canadian provincial tax rate (blended)	26.50%	26.50%
Provision for PILs at statutory rate	57,183	395,622
Decrease in Income Tax Resulting From:	(14,334)	(57,501)
Small business deduction	---	(178,353)
Non-capital loss carryforward used		
Capital cost allowance in excess of amortization	(27,965)	(5,635)
Charitable donations from Schedule 2	---	(1,458)
Total Provision	14,884	152,675
Effective Tax Rate	6.90%	10.23%

The change in the deferred tax liability is as follows:

	2018	2017
	\$	\$
Opening Balance, January 1	447,600	267,000
Recognized in Statement of Comprehensive Income	27,400	180,600
Closing Balance, December 31	475,000	447,600

Deferred tax liabilities are attributable to property, plant and equipment.

The Corporation has losses for tax purposes to carry forward against future income in the amount of \$Nil (2017 \$Nil).

7. Gross Revenue Charge

The Corporation is liable to pay a charge based on their gross generation of kilowatts hours to the Ontario Electricity Financial Corporation. The Corporation has applied with the Ministry of Natural Resources for a deduction under the Electricity Act 1998 to waive this charge for 10 years. In 2016, the application was approved and the charge was waived effective May 9, 2010 for a ten year period ending May 9, 2020.

Mississippi River Power Corporation

Notes to the Financial Statements

December 31, 2018

8. Related Party Balances on Transactions

The Ultimate Parent

The common shares of Mississippi River Power Corporation are owned by the Municipality of Mississippi Mills which constitutes local government. Consequently, the Corporation is exempt from some of the general disclosure requirements of IAS 24 with relation to transactions with government-related parties, and has applied the government-related disclosure requirements.

Transactions with Related Parties

The following summarizes the Corporation's related party transactions for the year. These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent for sales of product or provision of service.

During the year, the Corporation paid \$119,433 (2017 \$119,433) of interest on long term and short term debts and \$36,000 (2017 \$36,000) of rent to its shareholder, the Municipality of Mississippi Mills. The Corporation also purchased land from its shareholder, the Municipality of Mississippi Mills, in the amount of \$151,225. The Corporation owes its shareholder, the Municipality of Mississippi Mills, \$2,850,744 (2017 \$2,544,086) at the year end.

9. Commitments

The Corporation leases office premises from the Municipality of Mississippi Mills under the terms of an operating lease at a monthly cost of \$3,000. The lease has a term of 10 years, with an expiration date of September 30, 2023, with an option to renew for one further period of 10 years, upon revised terms.

The Corporation leases Metcalfe Geo Heritage Park from the Municipality of Mississippi Mills under the terms of an operating lease at an annual cost of \$1.00. The lease has a term of 20 years with an expiration date of December 31, 2033, with an option to renew for one further period of 20 years, upon the same terms.

10. Contingent Liabilities

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2018, management maintains that the Corporation has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Corporation's financial position.

Mississippi River Power Corporation

Notes to the Financial Statements

December 31, 2018

11. Risk Management

In the normal course of operations, the Corporation is exposed to a variety of financial risks which are actively managed by the Corporation.

The Corporation's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. The fair values of cash, and accounts payable and accrued liabilities approximate their carrying values because of their expected short term maturity and treatment on normal trade terms.

The Corporation's exposure to and management of risk has not changed materially from December 31, 2017.

Credit Risk

Credit risk arises from the possibility that the entities to which the Corporation provides services to may experience difficulty and be unable to fulfill their obligations. The Corporation is exposed to financial risk that arises from the credit quality of the entities to which it provides services. The Corporation does not have a significant exposure to any individual customer or counter party. As a result, the requirement for credit risk related reserves for accounts receivable is minimal.

Interest Rate Risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Corporation is exposed to financial risk that arises from the interest rate differentials between the market interest rate and the rates on its cash and cash equivalents and operating loan. Changes in variable interest rates could cause unanticipated fluctuations in the Corporation's operating results.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The Corporation requires working capital to meet day-to-day operating activities. Management expects that the Corporation's cash flows from operating activities will be sufficient to meet these requirements.

12. Capital Management

The Corporation considers its capital to be its capital stock and retained earnings. The Corporation's main objectives when managing capital are to: i) ensure sufficient liquidity to maintain and improve its electricity distribution system, support its financial obligations and execute its operating and strategic plans, ii) minimize the cost of capital while taking into consideration current and future industry, market and economic risks and conditions, and iii) provide an adequate return to its shareholders.

The Corporation relies on its cash flow from operations to fund its dividend distributions to its shareholders.

Mississippi River Power Corporation Notes to the Financial Statements

December 31, 2018

13. Budget Figures

Mississippi River Power Corporation reviews its operating and capital budgets each year. The approved operating budget for 2018 is included in the budget figures presented in the Statement of Comprehensive Income but they are not subject to audit.

14. Compensation of Key Management Personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

	2018	2017
	\$	\$
Management and Director Remuneration	144,252	137,465
Other Long Term Benefits	12,971	12,768
	157,223	150,233

15. Lost Revenue Recuperation

During 2012 there was a malfunction within the generating station, after which no revenues were able to be generated until repairs were completed in 2013. The Corporation received partial payments in 2013, but there remains monies outstanding. Management has provided their best estimate of lost revenues to be recuperated from other parties responsible and these amounts are included in accounts receivable.

16. Approval of the Financial Statements

The financial statements were approved by the Board of Directors and authorized for issue on March 4, 2019.
