

Consolidated Financial Statements of

**THE CORPORATION OF THE  
TOWNSHIP OF CHAPLEAU**

Year ended December 31, 2018

# THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

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Year ended December 31, 2018

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## Consolidated Financial Statements

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## **Management's Responsibility for the Consolidated Financial Statements**

The accompanying consolidated financial statements of The Corporation of the Township of Chapleau (the "Township") are the responsibility of the Township's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

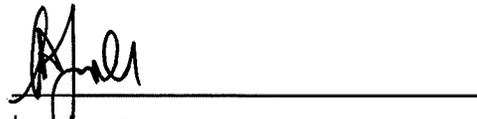
The Township's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely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

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 their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Township. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Township's consolidated financial statements.



Barbara Major  
Acting Chief Administrative Officer



Les Jones  
Chief Financial Officer and Treasurer



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## INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of  
The Corporation of the Township of Chapleau

### *Opinion*

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Chapleau (the "Township"), 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 financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Township as at December 31, 2018, and its consolidated results of operations and accumulated surplus, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Township in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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



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

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

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

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

### ***Auditors' Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Township's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Township to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada  
May 13, 2019

# THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

## Consolidated Statement of Financial Position

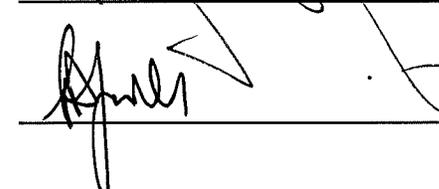
December 31, 2018, with comparative information for 2017

	2018	2017
<b>Financial assets</b>		
Cash	\$ 1,620,354	\$ 978,906
Investments (note 3)	4,141,760	4,108,317
Taxes receivable	514,184	513,989
User charges receivable	311,617	295,650
Accounts receivable (note 4)	982,895	1,066,811
Accrued interest receivable	71,237	33,215
Investments in government business enterprises (note 10)	2,350,760	2,607,033
	<u>9,992,807</u>	<u>9,603,921</u>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	566,442	634,721
Deferred revenue	155,755	63,551
Vested sick leave benefits (note 6)	15,000	15,000
Solid waste management liabilities (note 7)	277,000	282,000
Long-term liabilities (note 8)	1,974,637	2,231,942
	<u>2,988,834</u>	<u>3,227,214</u>
Net financial assets	7,003,973	6,376,707
<b>Non-financial assets</b>		
Tangible capital assets (note 14)	25,568,826	24,256,290
Inventory and prepaids	36,361	29,196
	<u>25,605,187</u>	<u>24,285,486</u>
Commitments (note 9)		
Accumulated surplus (note 13)	\$ 32,609,160	\$ 30,662,193

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

On behalf of Council:

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
Treasurer

# THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

## Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2018, with comparative information for 2017

	2018 Budget (note 11)	Actual 2018	Actual 2017
<b>Revenue:</b>			
Property taxation	\$ 2,505,567	\$ 2,519,304	\$ 2,479,221
User charges	2,040,370	2,276,508	1,976,196
Government of Canada grants	583,815	520,057	518,651
Province of Ontario grants	2,793,598	2,732,464	3,832,526
Investment income	16,000	106,465	72,120
Licenses and permits	16,120	25,418	23,361
Fines and penalties	21,000	23,533	30,524
Penalties and interest on taxes and user charges	37,000	92,933	139,364
Share of income (loss) in government business enterprises	-	(256,273)	50,789
Other	18,000	63,763	124,324
Loss on sale of capital assets	-	(152,741)	(17,366)
<b>Total revenue</b>	<b>8,031,470</b>	<b>7,951,431</b>	<b>9,229,710</b>
<b>Expenses:</b>			
General government	766,915	881,674	882,500
Protection to persons and property	870,405	793,976	930,118
Transportation services	1,236,385	1,625,794	1,401,362
Environmental services	1,234,734	1,403,096	1,489,685
Health services	231,179	236,924	234,051
Social and family services	123,656	133,854	132,668
Recreational and cultural services	812,035	805,477	827,374
Planning and development	119,121	123,669	79,668
<b>Total expenses</b>	<b>5,394,430</b>	<b>6,004,464</b>	<b>5,977,426</b>
<b>Annual surplus</b>	<b>2,637,040</b>	<b>1,946,967</b>	<b>3,252,284</b>
<b>Accumulated surplus, beginning of year</b>	<b>30,662,193</b>	<b>30,662,193</b>	<b>27,409,909</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 33,299,233</b>	<b>\$ 32,609,160</b>	<b>\$ 30,662,193</b>

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

# THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

## Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2018, with comparative information for 2017

	2018 Budget (note 11)	Actual 2018	Actual 2017
Annual surplus	\$ 2,637,040	\$ 1,946,967	\$ 3,252,284
Acquisition of tangible capital assets	-	(2,319,489)	(2,685,347)
Amortization of tangible capital assets	-	854,212	837,007
Loss on disposal of tangible capital assets	-	152,741	17,366
	2,637,040	634,431	1,421,310
Acquisition of inventory and prepaids	-	(7,165)	(2,235)
Change in net financial assets	2,637,040	627,266	1,419,075
Net financial assets, beginning of year	6,376,707	6,376,707	4,957,632
Net financial assets, end of year	\$ 9,013,747	\$ 7,003,973	\$ 6,376,707

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

# THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

## Consolidated Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,946,967	\$ 3,252,284
Items not involving cash:		
Amortization of tangible capital assets	854,212	837,007
Loss on disposal of tangible capital assets	152,741	17,366
Change in solid waste management liabilities	(5,000)	(36,000)
	2,948,920	4,070,657
Change in non-cash assets and liabilities:		
Increase in taxes receivable	(195)	(77,721)
Increase in user charges receivable	(15,967)	(48,318)
Decrease (increase) in accounts receivable	83,916	(361,819)
Increase in accrued interest receivable	(38,022)	(15,507)
Increase in inventory and prepaids	(7,165)	(2,235)
Decrease in accounts payable and accrued liabilities	(68,279)	(324,673)
Decrease (increase) in investment of government business enterprises	256,273	(50,789)
Increase (decrease) in deferred revenue	92,204	(126,491)
Net change in cash from operating activities	3,251,685	3,063,104
Capital activities:		
Acquisition of tangible capital assets	(2,319,489)	(2,685,347)
Net change in cash from capital activities	(2,319,489)	(2,685,347)
Financing activities:		
Principal repayment on long-term liabilities	(257,305)	(252,883)
Net change in cash from financing activities	(257,305)	(252,883)
Investing activities:		
Decrease (increase) in investments	(33,443)	491,264
Net change in cash from investing activities	(33,443)	491,264
Increase in cash	641,448	616,138
Cash, beginning of year	978,906	362,768
Cash, end of year	\$ 1,620,354	\$ 978,906

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

# THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

## Notes to Consolidated Financial Statements

Year ended December 31, 2018

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The Corporation of the Township of Chapleau (the "Township") is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act and other related legislation.

### 1. Significant accounting policies:

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

(a) Reporting entity:

(i) Consolidated entities:

These consolidated financial statements reflect the assets, liabilities, revenues, expenses and fund balances of the reporting entity and include the activities of all committees of Council and the following boards and enterprises which are under the control of Council:

Chapleau Public Library Board

All interfund assets, liabilities, revenues and expenses have been eliminated.

(ii) Investment in government business enterprises:

The investment in the Township's 100% owned government business enterprise, Chapleau Public Utilities Corporation, is accounted for on a modified equity basis, consistent with Canadian generally accepted accounting principles as recommended by PSAB for investments in government business enterprises. Under the modified equity basis, the government business enterprises' accounting policies are not adjusted to conform with those of the Township and inter-organizational transactions and balances are not eliminated. The Township recognizes its equity interest in the annual income or loss of the government business enterprises in its consolidated statement of operations with a corresponding increase or decrease in its investment in government business enterprise account. Any dividends that the Township may receive from the government business enterprises will be reflected as reductions in the investment asset account.

(iii) Joint Local Boards

These consolidated financial statements reflect contributions to the following joint local boards, which are not under the direct control of council as expense in the consolidated statement of operations and accumulated surplus:

Sudbury & District Health Unit

Manitoulin-Sudbury District Social Services Administration Board

# THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

## Notes to Consolidated Financial Statements

Year ended December 31, 2018

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### 1. Significant accounting policies (continued):

(a) Reporting equity (continued):

(iv) Accounting for school board transactions:

The Township collects taxation revenue on behalf of the school boards. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in the consolidated financial statements.

(v) Trust funds:

Trust funds and their related operations administered by the Township are not included in the consolidated financial statements but are reported separately.

(b) Basis of accounting:

(i) Accrual basis of accounting:

The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) Investments:

Investments are carried at cost unless a decline in value is considered to be other than temporary, at which time the investments and deposits are written down to net realizable value. Income on investments and deposits is recognized on an accrual basis.

(iii) Reserve and Reserve Funds:

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

(iv) Pensions and employee benefits:

The Township accounts for its participation in the Ontario Municipal Employee Retirement System ("OMERS"), a multi-employer public sector pension fund, as a deferred contribution plan.

Vacation entitlements are accrued for as entitlements are earned. Sick leave benefits are accrued where they are vested and are subject to pay out when an employee leaves the Township's employment.

(v) Solid waste management liabilities:

Solid waste management liabilities are accounted for on the accrual basis as a charge to environmental services expenses.

(vi) Deferred revenue - obligatory reserve funds:

The Township receives revenues under the authority of federal and provincial legislation and Township by-laws. These funds, by their nature, are restricted in their use and, until applied to specific expenses, are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

# THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

## Notes to Consolidated Financial Statements

Year ended December 31, 2018

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### 1. Significant accounting policies (continued):

#### (b) Basis of accounting (continued):

##### (vii) Deferred revenue – other:

The Township receives certain amounts pursuant to funding agreements that may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recorded as deferred revenue and are recognized as revenue in the fiscal year the eligibility criteria has been met (i.e. related expenses are incurred, services are performed) except when stipulations are present and to the extent that the transfer give rise to an obligation that meets the definition of a liability.

##### (viii) Financial instruments:

The Township's financial instruments consist of cash, investments, user charges receivable, taxes receivable, accounts receivable, accrued interest receivable, accounts payable and accrued liabilities, and long-term liabilities. Unless otherwise noted, it is management's opinion that the Township does not have any significant concentration of interest, currency or credit risk.

##### (ix) Revenue recognition:

The Township prepared tax billings based on assessment rolls issued by Municipal Property Assessment Corporation, in accordance with rates established and approved annually by Council and the Province of Ontario. Taxation revenue is recognized in the period in which the taxes are levied.

Government transfers are recognized in the period in which the events giving rise to the transfer occurred, provided that the transfer is authorized and the amount can be reasonably estimated. Government grants are recognized when approved to the extent the related expenditures have been incurred and collection can be reasonably assured.

Any amount received but restricted is recorded as a defined revenue in accordance with Section 3100 of the Public Sector Accounting Handbook and recognized as revenue in the period the resources are used for the purposes specified.

User fees and other revenues are recognized when the services are performed or goods are delivered, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and fees are fixed or determinable. Amounts received for future services are deferred until the service is provided.

# THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2018

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## 1. Significant accounting policies (continued):

### (b) Basis of accounting (continued):

#### (x) Use of estimates:

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the valuation allowances for taxes, accounts receivables and solid waste management liabilities. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

In addition, the Township's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

### (c) Non-financial assets:

Tangible capital and other non-financial assets are accounted for as assets by the Township because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Township unless they are sold.

### (d) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, design, construction, development, improvement or betterment of the tangible capital asset. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Buildings	20 - 80
Bridges and culverts	45 - 80
Vehicles	12 - 35
Machinery and equipment	5 - 15
Water and sewer	75 - 85
Roads	25 - 75

Landfill sites are amortized using the units of production method based upon capacity used during the year.

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

# THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

## Notes to Consolidated Financial Statements

Year ended December 31, 2018

### 1. Significant accounting policies (continued):

#### (d) Tangible capital assets (continued):

##### (i) Contributions of tangible capital assets:

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

##### (ii) Natural resources:

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

##### (iii) Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

##### (iv) Interest capitalization:

The Township does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

### 2. Contributions to unconsolidated joint boards:

Further to note 1 (a)(iii), the following contributions were made by the Township to these Boards:

	2018	2017
Sudbury & District Health Unit	\$ 83,182	\$ 82,958
Manitoulin-Sudbury District Social Services Administration Board	189,010	185,224
	\$ 272,192	\$ 268,182

The Township is contingently liable for its share of the accumulated deficits to the end of the year for these Boards. It is anticipated that no significant deficits will be incurred.

### 3. Investments:

The total investments of \$4,141,760 (2017 - \$4,108,317) reported on the consolidated statement of financial position at cost have a market value of \$4,195,616 (2017 - \$4,121,973).

### 4. Accounts receivable:

Accounts receivable consist of the following:

	2018	2017
Trade and miscellaneous	\$ 296,580	\$ 115,219
Government of Canada	319,466	302,048
Province of Ontario	366,849	649,544
	\$ 982,895	\$ 1,066,811

# THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

## Notes to Consolidated Financial Statements

Year ended December 31, 2018

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### 5. Pension agreements:

The Township makes contributions to the Ontario Municipal Employee Retirement System (OMERS), which is a multi-employer plan, on behalf 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. Employee contributions are matched by the Township.

The amount contributed to OMERS for 2018 was \$112,251 (2017- 107,266) for current services and is included as an expense on the consolidated statement of operations and accumulated surplus.

Because OMERS is a multi-employer plan, the Township does not recognize any share of pension plan deficit. This is a joint responsibility of all Ontario municipalities and their employees.

### 6. Vested sick leave benefits:

Under the sick leave benefit plan, unionized employees can accumulate unused sick leave and these employees may become entitled to a cash payment when they leave the Township's employment.

The liability for these accumulated sick days, to the extent that they have vested and could be taken in cash by an employee on terminating, amounted to \$15,000 (2017 - \$15,000) at the end of the year. This past service liability has been provided for and is reported on the consolidated statement of financial position.

### 7. Solid waste management liabilities:

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, 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.

The overall closure and post-closure costs are based on a 60 year operating life and a 25 year post-closure period of the landfill site.

Estimated total expenditures represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at the Province of Ontario's average long-term borrowing rate of 3% (2017 - 3%). The estimated total landfill closure and post-closure care expenditures are calculated to be \$277,000 (2017 - \$282,000). The estimated liability for these expenditures is recognized as the landfill site's capacity is used. The period for post-closure care is estimated to be twenty-five years.

# THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

## Notes to Consolidated Financial Statements

Year ended December 31, 2018

### 8. Long-term liabilities:

- (a) The balance of long-term liabilities reported on the consolidated statement of financial position is made up of the following:

	2018	2017
NOHFC (i)	\$ 427,500	\$ 498,750
Infrastructure Ontario debenture (ii)	1,547,137	1,733,192
	<u>\$ 1,974,637</u>	<u>\$ 2,231,942</u>

- (i) NOHFC loan bears no interest and is due December, 2024. Principal payments are made annually on the facility in the amount of \$71,250.
- (ii) The Infrastructure Ontario debenture shall bear interest at a rate of 2.4% per annum and is due on December 31, 2026. The debenture shall be paid in full by February 16, 2026 and is payable in semi-annual blended payments of principal and interest in the amount of \$113,446.
- (b) Of the long-term liabilities reported in (a) of this note, principal payments are payable as follows:

2019	\$ 261,835
2020	266,475
2021	271,228
2022	276,097
2023	281,084
Thereafter	617,918

### 9. Commitments:

- (a) Ontario Clean Water Agency:

The Ontario Clean Water Agency operates the water and sanitary sewer systems on behalf of the Township. The Township is obligated to meet all operating costs related to the systems.

Included in the Consolidated Statement of Operations are the charges from the Agency of \$256,370 (2017 - \$252,085) for the water system and \$99,156 (2017 - \$97,714) for the sewer system.

- (b) Credit facility agreement:

The Township has a revolving credit facility agreement with its main financial institution. The amount available at any time is limited to \$500,000 via an operating line. Any balance borrowed will bear interest at prime. Council authorized the temporary borrowing limit for 2018 in By-Law 2018-03, and there was a balance owing as at December 31, 2018 of \$Nil (2017 - \$Nil).

# THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

## Notes to Consolidated Financial Statements

Year ended December 31, 2018

### 10. Investments in government business enterprises:

On January 1, 2018, Chapleau Energy Services Corporation ("Chapleau ESC") and the Chapleau Public Utilities Corporation ("PUC") amalgamated to continue as Chapleau Public Utilities Corporation.

Chapleau Public Utilities Corporation ("PUC") is wholly-owned and controlled by the Township. As this corporation is a business enterprise of the Township, it is accounted for on a modified equity basis in these consolidated financial statements.

(a) The following table provides condensed supplementary financial information for the year ended December 31, 2018:

	2018 Total	2017 Total
Financial Position:		
Current assets	\$ 1,448,986	1,999,026
Capital assets	1,589,370	1,184,244
Regulatory assets	1,017,407	1,352,488
Total assets	4,055,763	4,535,758
Current liabilities	562,536	709,373
Other long-term liabilities	1,142,467	
Total liabilities	1,705,003	709,373
Net assets	\$ 2,350,760	3,826,385
Results of operations:		
Revenues	\$ 3,631,484	3,569,879
Operating expenses	3,654,190	3,519,090
Net income (loss)	\$ (22,706)	50,789

(b) The investment at December 31, 2018 consists of the following:

	2018 Total	2017 Total
Balance, beginning of year	\$ 2,607,033	2,556,244
Township's share of operating income for the year (10(a))	(22,706)	50,789
Change in equity from amalgamation	(233,567)	-
Balance, end of year	\$ 2,350,760	2,607,033

# THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2018

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## 11. Budget figures:

The budget was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). As a result the budgeted figures presented in the consolidated statement of operations and accumulated surplus requires the following adjustments:

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Approved budget:	
Annual deficit per approved budget:	\$ 845,907
Add:	
Principal payments on long term debt	250,711
Purchase of tangible capital assets	2,667,429
Less:	
Amortization	(845,907)
Net reserve transfers	(281,100)
<hr/> Budget surplus per consolidated financial statements	<hr/> \$ 2,637,040 <hr/>

## 12. Public sector salary disclosure:

During 2018, no employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more by the Township.

# THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2018

## 13. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2018	2017
Surplus:		
Invested in tangible capital assets	\$ 23,594,189	\$ 22,624,347
Invested in Government business enterprises	2,350,760	2,607,033
Operations	1,239,735	379,961
Unfunded:		
Employee benefit obligations	(15,000)	(15,000)
Landfill closure and post-closure costs	(277,000)	(282,000)
<b>Total surplus</b>	<b>26,892,684</b>	<b>25,314,341</b>
Reserves set aside by Council for:		
Working funds	327,781	327,781
Road construction	10,326	10,326
Capital	48,979	48,979
Planning	29,462	29,462
Recreation Centre	9,407	9,407
	<b>425,955</b>	<b>425,955</b>
Reserve funds set aside for specific purpose by Council:		
Building maintenance:		
Civic Centre	410,185	412,585
Water Treatment Plant	226,699	218,469
Sewage Treatment Plant	175,885	171,352
Recreation Centre	172,936	161,436
Public Works equipment	343,673	334,024
Capital expenditures:		
Fire	364,218	374,935
Sanitary sewers	325,026	181,768
Waterworks	1,579,757	1,353,047
Library	32,728	32,728
Airport	215,760	167,005
Transit	279,898	258,530
Landfill site	856,061	990,886
Sick leave	30,430	29,986
G.E. Young Memorial	8,212	8,290
Refuse collection	269,053	226,856
<b>Total reserves</b>	<b>5,290,521</b>	<b>4,921,897</b>
	<b>\$ 32,609,160</b>	<b>\$ 30,662,193</b>

# THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2018

## 14. Tangible capital assets:

Cost	Balance at December 31, 2017	Additions	Disposals	Transfers	Balance at December 31, 2018
Land	\$ 113,279	-	-	-	113,279
Buildings	4,959,420	1,798,607	(306,187)	128,036	6,579,876
Bridges and culverts	2,646,465	30,884	(9,359)	-	2,667,990
Vehicles	1,598,507	32,740	(20,823)	-	1,610,424
Machinery and equipment	3,931,127	35,549	(19,818)	-	3,946,858
Water and sewer	14,963,987	264,779	(59,181)	-	15,169,585
Roads	13,786,284	-	-	-	13,786,284
Construction in progress	245,401	156,930	-	(128,036)	274,295
<b>Total</b>	<b>\$ 42,244,470</b>	<b>2,319,489</b>	<b>(415,368)</b>	<b>-</b>	<b>44,148,591</b>

Accumulated Amortization	Balance at December 31, 2017	Disposals	Amortization	Balance at December 31, 2018
Land	\$ -	-	-	-
Buildings	2,537,995	(160,542)	107,140	2,484,593
Bridges and culverts	1,310,173	(4,049)	49,364	1,355,488
Vehicles	939,429	(19,088)	71,205	991,546
Machinery and equipment	1,657,167	(19,767)	136,169	1,773,569
Water and sewer	4,804,570	(59,181)	254,654	5,000,043
Roads	6,738,846	-	235,680	6,974,526
Construction in progress	-	-	-	-
<b>Total</b>	<b>\$ 17,988,180</b>	<b>(262,627)</b>	<b>854,212</b>	<b>18,579,765</b>

	Net book value, December 31, 2017	Net book value, December 31, 2018
Land	\$ 113,279	113,279
Buildings	2,421,425	4,095,283
Bridges and culverts	1,336,292	1,312,502
Vehicles	659,078	618,878
Machinery and equipment	2,273,960	2,173,289
Water and sewer	10,159,417	10,169,542
Roads	7,047,438	6,811,758
Construction in progress	245,401	274,295
<b>Total</b>	<b>\$ 24,256,290</b>	<b>25,568,826</b>

# THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2018

## 14. Tangible capital assets (continued):

Cost	Balance at December 31, 2016	Additions	Disposals	Transfers	Balance at December 31, 2017
Land	\$ 113,279	-	-	-	113,279
Buildings	4,814,529	89,059	(10,549)	66,381	4,959,420
Bridges and culverts	2,646,465	-	-	-	2,646,465
Vehicles	1,598,507	-	-	-	1,598,507
Machinery and equipment	2,211,266	930,126	-	789,735	3,931,127
Water and sewer	13,802,319	643,136	(22,907)	541,439	14,963,987
Roads	12,969,330	906,210	(89,256)	-	13,786,284
Construction in progress	1,526,140	116,816	-	(1,397,555)	245,401
<b>Total</b>	<b>\$ 39,681,835</b>	<b>2,685,347</b>	<b>(122,712)</b>	<b>-</b>	<b>42,244,470</b>

Accumulated Amortization	Balance at December 31, 2016	Disposals	Amortization	Balance at December 31, 2017
Land	\$ -	-	-	-
Buildings	2,452,886	(7,416)	92,525	2,537,995
Bridges and culverts	1,268,901	-	41,272	1,310,173
Vehicles	865,748	-	73,681	939,429
Machinery and equipment	1,538,344	-	118,823	1,657,167
Water and sewer	4,635,480	(97,930)	267,020	4,804,570
Roads	6,495,160	-	243,686	6,738,846
Construction in progress	-	-	-	-
<b>Total</b>	<b>\$ 17,256,519</b>	<b>(105,346)</b>	<b>837,007</b>	<b>17,988,180</b>

	Net book value, December 31, 2016	Net book value, December 31, 2017
Land	\$ 113,279	113,279
Buildings	2,361,643	2,421,425
Bridges and culverts	1,377,564	1,336,292
Vehicles	732,759	659,078
Machinery and equipment	672,922	2,273,960
Water and sewer	9,166,839	10,159,417
Roads	6,474,170	7,047,438
Construction in progress	1,526,140	245,401
<b>Total</b>	<b>\$ 22,425,316</b>	<b>24,256,290</b>

# THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

## Notes to Consolidated Financial Statements

Year ended December 31, 2018

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### 14. Tangible capital assets (continued):

#### a) Assets under construction:

Assets under construction having a value of \$274,295 (2017 - \$245,401) have not been amortized. Amortization of these assets will commence when the asset is put into service.

#### b) Contributed tangible capital assets:

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$Nil (2017 - \$Nil).

### 15. Comparative information:

Certain comparative information have been reclassified to conform to the consolidated financial statement presentation adopted for 2018.

### 16. Segmented information:

The Township provides a range of services to its citizens, including police, fire, transportation, recreational and environmental. For management reporting purposes the Township's operations and activities are organized and reported by department. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Township services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

#### General Government

The departments within General Government includes corporate services and governance of the Municipality. General Government is responsible for human resource management, support to Council for policy development, by-law development in compliance with the Municipal Act, tax billing and collection responsibilities, financial management reporting, monitoring and overall budget status is provided as well as frontline reception and customer service.

#### Protection Services

Protection is comprised of police, fire, protective services and control and emergency measures. The mandate of the police services contract is to ensure the safety of the lives and property of citizens, preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. The fire protection includes detection and extinguishment of fires. Inspection and control includes building inspection, by-law enforcement and dog control services.

#### Transportation Services

The transportation department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, bridges and culverts as well as winter control and street lighting.

# THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2018

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## 16. Segmented information (continued):

### Environmental Services

The environmental department includes the management and maintenance of the landfill site, transfer stations, and the waste collection system that serves the municipality.

### Health Services

The Township offers a range of public health services through the Sudbury and District Health Unit.

### Social and Family Services

The services are provided indirectly by the Township through the District Social Services Board and include family and children's services.

### Recreation and Cultural Services

The Department is responsible for providing, recreation and leisure programs and facilities, including community halls, libraries, parks, recreation fields and arena. IT also provides building maintenance services to all municipal facilities.

### Planning and Development

The planning department provides a diverse bundle of services. It manages development for business interests, environmental concerns, heritage matters and neighborhoods through planning and community development activities. It facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of the zoning by-law and official plan, and the provision of geographic information services.

For each segment revenue and expenditures included both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocations 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 the summary of significant accounting policies.

# THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

## Note 16 - Segmented Information (continued)

Year ended December 31, 2018

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Total 2018
<b>Revenues:</b>									
Property taxation	\$ 369,926	333,130	682,137	588,700	99,407	56,161	337,955	51,888	2,519,304
User charges	15,912	51,847	409,727	1,665,722	13,720	16,055	103,525	-	2,276,508
Government of Canada grants	-	-	520,057	-	-	-	-	-	520,057
Province of Ontario grants	577,848	187,649	384,242	1,208,493	55,995	76,342	212,667	29,228	2,732,464
Investment income	106,465	-	-	-	-	-	-	-	106,465
Government business enterprise	(256,273)	-	-	-	-	-	-	-	(256,273)
Licenses and permits	25,418	-	-	-	-	-	-	-	25,418
Fines and penalties	-	23,533	-	-	-	-	-	-	23,533
Penalties and interest on taxes and user fees	92,933	-	-	-	-	-	-	-	92,933
Other	63,763	-	-	-	-	-	-	-	63,763
Loss on sale of capital assets	(152,741)	-	-	-	-	-	-	-	(152,741)
	843,251	596,159	1,996,163	3,462,915	169,122	148,558	654,147	81,116	7,951,431
<b>Expenses:</b>									
Salaries, wages and benefits	507,078	185,199	423,863	285,857	12,313	564	302,262	61,785	1,778,921
Materials	341,199	65,307	813,635	417,380	19,941	58,237	381,883	61,884	2,159,466
Contracted services	-	521,343	-	377,491	-	-	-	-	898,834
Rents and financial	-	-	23,158	17,679	-	-	-	-	40,837
External agencies	-	-	-	-	204,163	68,031	-	-	272,194
Amortization of tangible capital assets	33,397	22,127	365,138	304,689	507	7,022	121,332	-	854,212
	881,674	793,976	1,625,794	1,403,096	236,924	133,854	805,477	123,669	6,004,464
	\$ (38,423)	(197,817)	370,369	2,059,819	(67,802)	14,704	(151,330)	(42,553)	1,946,967

# THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

## Note 16 - Segmented Information (continued)

Year ended December 31, 2018

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Total 2017
<b>Revenues:</b>									
Property taxation	\$ 366,030	385,779	581,234	617,868	97,076	55,026	343,165	33,043	2,479,221
User charges	15,638	43,033	268,161	1,514,895	15,388	9,820	109,261	-	1,976,196
Government of Canada grants	-	-	518,651	-	-	-	-	-	518,651
Province of Ontario grants	315,157	217,464	327,643	2,616,908	54,722	62,337	219,668	18,627	3,832,526
Investment income	72,120	-	-	-	-	-	-	-	72,120
Government business enterprise	50,789	-	-	-	-	-	-	-	50,789
Licenses and permits	23,361	-	-	-	-	-	-	-	23,361
Fines and penalties	-	30,524	-	-	-	-	-	-	30,524
Penalties and interest on taxes and user fees	139,364	-	-	-	-	-	-	-	139,364
Other	124,324	-	-	-	-	-	-	-	124,324
Loss on sale of capital assets	(17,366)	-	-	-	-	-	-	-	(17,366)
	1,089,417	676,800	1,695,689	4,749,671	167,186	127,183	672,094	51,670	9,229,710
<b>Expenses:</b>									
Salaries, wages and benefits	531,665	191,708	440,009	301,792	19,672	1,625	352,797	26,817	1,866,085
Materials	316,345	183,021	569,583	482,287	15,816	53,897	396,528	52,851	2,070,328
Contracted services	-	530,435	-	379,576	-	-	-	-	910,011
External agencies	-	-	25,666	9,797	198,056	70,124	-	-	303,643
Amortization of tangible capital assets	34,490	24,954	366,104	316,233	507	7,022	78,049	-	827,359
	882,500	930,118	1,401,362	1,489,685	234,051	132,668	827,374	79,668	5,977,426
	\$ 206,917	(253,318)	294,327	3,259,986	(66,865)	(5,485)	(155,280)	(27,998)	3,252,284