

Consolidated Financial Statements of

**CORPORATION OF THE
TOWNSHIP OF CHAPLEAU**

Year ended December 31, 2006

CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Consolidated Financial Statements Index

Year ended December 31, 2006

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AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of the **Corporation of the Township of Chapleau** as at December 31, 2006 and the consolidated statements of financial activities and changes in fund balances and changes in financial position for the year then ended. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Township as at December 31, 2006 and the results of its financial activities and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Sudbury, Canada

April 6, 2007

CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Consolidated Statement of Financial Position

December 31, 2006, with comparative figures for 2005

	2006	2005
Assets		
Financial assets:		
Cash	\$ 1,305,368	638,388
Investments (note 3)	1,586,301	1,507,753
Taxes receivable	120,612	214,276
User charges receivable	157,287	153,492
Accounts receivable (note 4)	172,285	122,609
Accrued interest receivable	45,156	27,641
	<u>3,387,009</u>	<u>2,664,159</u>
Non-financial assets:		
Inventory and prepaids	53,614	47,678
Investments in government business enterprises	2,143,759	2,052,192
	<u>\$ 5,584,382</u>	<u>4,764,029</u>

Liabilities and Municipal Position

Accounts payable and accrued liabilities (note 5)	\$ 484,471	387,240
Other current liabilities	25,432	31,891
Deferred revenue - Obligatory Reserve Fund	35,131	14,660
Vested sick leave benefits (note 7)	15,000	15,000
Solid waste management liabilities (note 8)	1,619,000	1,580,000
Net-long term liabilities (note 9)	1,300,710	1,451,152
	<u>3,479,744</u>	<u>3,479,943</u>
Municipal Position		
Fund balances:		
Current (schedule)	74,095	172,715
Reserves (schedule)	778,152	403,236
Reserve funds (schedule)	2,043,342	1,702,095
Investments in government business enterprises (note 11)	2,143,759	2,052,192
	<u>5,039,348</u>	<u>4,330,238</u>
Amounts to be recovered from future revenues (note 12)	(2,934,710)	(3,046,152)
	<u>\$ 5,584,382</u>	<u>4,764,029</u>

The accompanying notes are an integral part of this financial statement.

CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Consolidated Statement of Financial Activities and Changes in Fund Balances

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
Revenues:		
Property taxation	\$ 1,676,475	\$ 1,640,735
User charges	1,947,557	2,070,247
Government of Canada grants	129,136	90,938
Province of Ontario grants	2,022,899	2,171,693
Investment income	133,029	332,889
Licences and permits	31,511	39,400
Fines and penalties	5,614	7,360
Penalties and interest on taxes	57,665	62,072
Government business enterprise (share of losses)	91,567	(349,629)
Other	5,815	2,447
	6,101,268	6,068,152
Expenditures:		
Current operations:		
General government	622,347	637,447
Protection to persons and property	741,849	737,534
Transportation services	1,148,255	1,159,051
Environmental services	911,671	1,602,429
Health services	337,398	293,643
Social and family services	317,509	372,390
Recreation and cultural services	744,599	719,579
Planning and development	315,632	289,941
	5,139,260	5,812,014
Capital:		
General government	3,076	54,402
Protection to persons and property	19,195	4,573
Transportation services	56,439	18,322
Environmental services	84,875	154,574
Social and family services	-	80,757
Planning and development	-	10,675
Recreation and cultural services	2,933	13,823
	166,518	337,126
	5,305,778	6,149,140
Excess (deficiency) of revenues over expenditures	795,490	(80,988)
Debt principal repayments on external financing	(125,380)	(143,792)
Solid waste management liabilities	39,000	750,000
Net change in fund balances	709,110	525,220
Fund balances, beginning of year	4,330,238	3,805,018
Fund balances, end of year	\$ 5,039,348	4,330,238

The accompanying notes are an integral part of this financial statement.

CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Consolidated Statement of Changes in Financial Position

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
Cash flows from operating activities:		
Excess (deficiency) of revenues over expenditures	\$ 795,490	(80,988)
Change in non-cash working capital:		
Taxes receivable	93,664	100,007
User charges receivable	(3,795)	2,313
Accounts receivable	(49,676)	203,105
Accrued interest receivable	(17,515)	(8,838)
Inventory and prepaids	(5,936)	(9,587)
Accounts payable and accrued liabilities	97,231	25,437
Other current liabilities	(6,459)	(7,686)
Deferred revenue - Obligatory Reserve Fund	20,471	14,660
Solid waste management liabilities	39,000	750,000
	962,475	988,423
Cash flows from investing activities:		
Investments	(78,548)	(446,292)
Investments in government business enterprises	(91,567)	87,385
	(170,115)	(358,907)
Cash flows from financing activities:		
Debt principal repayments on external financing	(125,380)	(143,792)
Net increase in cash	666,980	485,724
Cash, beginning of year	638,388	152,664
Cash, end of year	\$ 1,305,368	638,388

The accompanying notes are an integral part of this financial statement.

CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2006

1. Significant accounting policies:

The consolidated financial statements of the Corporation of the Township of Chapleau ("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 Canadian Institute of Chartered Accountants. 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 and expenditures 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
Chapleau Public Utilities Corporation
Chapleau Energy Services Corporation

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

(ii) Non-consolidated entities:

The following joint local boards are not consolidated:

Sudbury & District Health Unit
Manitoulin-Sudbury District Social Services Administration Board

(iii) Accounting for school board transactions:

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in the fund balances of these consolidated financial statements. Overlevies (underlevies) are reported on the Consolidated Statement of Financial Position as other current liabilities (other current assets).

(iv) Trust funds:

Trust funds and their related operations administered by the Township are not consolidated, but are reported separately. These funds amounted to \$138,425 (2005 - \$131,272).

CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2006

1. Significant accounting policies (continued):

(b) Basis of accounting:

(i) Accrual basis of accounting:

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures 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) Capital assets:

The historical cost and accumulated amortization of capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the consolidated statement of financial activities and changes in fund balances in the year of acquisition.

(iv) Amounts to be recovered from future revenues:

Amounts to be recovered makes up part of the Township's position, which includes balances for outstanding net long-term liabilities, liability for solid waste management liabilities for employee benefits accrued.

(v) 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.

(vi) 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 subject to pay out when an employee leaves the Township's employment.

(vii) Solid waste management liabilities:

Solid waste management liabilities are accounted for on the accrual basis as a charge to environmental services expenditures (note 8).

CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2006

1. Significant accounting policies (continued):

(b) Basis of accounting (continued):

(viii) Investment in government business enterprises:

The investments in the Township's 100% owned government business enterprises, Chapleau Public Utilities Corporation and Chapleau Energy Services Corporation, are accounted for on a modified equity basis. The modified equity basis includes the cost of the Township's investment in the government business enterprise adjusted for the proportionate share of earnings and dividends paid, if any.

(ix) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the periods specified. Actual results could differ from those estimates.

2. Contributions to unconsolidated joint boards:

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

	2006	2005
Sudbury & District Health Unit	\$ 89,304	101,534
Manitoulin-Sudbury District Social Services Administration Board	326,111	404,412
	\$ 415,415	505,946

The Township is contingently liable for its share of the accumulated deficits to the end of the year for these Boards. The financial statements of these joint boards were not available at the time of issue but it is anticipated that no significant deficits will be incurred.

3. Investments:

The total investments of \$1,586,301 (2005 - \$1,507,753) reported on the Consolidated Statement of Financial Position at cost have a market value of \$1,610,420 (2005 - \$1,540,104).

CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2006

4. Accounts receivable:

Accounts receivable consist of the following:

	2006	2005
Trade and miscellaneous	\$ 101,269	78,348
Government of Canada	70,570	38,317
Province of Ontario	446	5,944
	\$ 172,285	122,609

5. Accounts payable and accrued liabilities:

Accounts payable consist of the following:

	2006	2005
Trade and miscellaneous	\$ 476,920	329,008
Province of Ontario	7,835	57,381
Government of Canada	641	641
School boards	(925)	210
	\$ 484,471	387,240

6. Pension agreements:

The Township makes contributions to the OMERS, which is a multi-employee plan, on behalf of 19 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.

The amount contributed to OMERS for 2006 was \$61,811 (2005 - \$57,232).

7. 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 (2005 - \$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.

CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2006

8. 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 sites based on usage.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a 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 Province of Ontario's average long-term borrowing rate of 5%. The estimated total landfill closure and post-closure care expenditures are calculated to be \$1,619,000 (2005 - \$1,580,000). 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.

9. Net long-term liabilities:

- (a) The balance of net long-term liabilities reported on the Consolidated Statement of Financial Position is made up of the following:

	2006	2005
Total long-term liabilities incurred by the Township including those incurred on behalf of school boards and municipal enterprises and outstanding at the beginning of the year amount to	\$ 1,451,152	1,594,944
Long-term liabilities paid out during the year	(150,442)	(143,792)
Net long-term liabilities, end of year	\$ 1,300,710	1,451,152

- (b) Of the net long-term liabilities reported in (a) of this note, principal payments are payable as follows:

	2007 to 2012	2012 onwards
- from general municipal revenues	\$ 611,149	840,003

- (c) Approval of the Ontario Municipal Board has been obtained for the long-term liabilities above issued in the name of the Township.

CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2006

10. Contractual obligation - 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 Financial Activities and Changes in Fund Balances are the charges from the Agency of \$193,718 (2005 - \$189,734) for the water system and \$73,541 (2005 - \$72,028) for the sewer system.

11. Investments in government business enterprises:

Chapleau Public Utilities Corporation ("PUC") and Chapleau Energy Services ("ESC") are wholly-owned and controlled by the Township. As these corporations are business enterprises of the Township, they are 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, 2006:

	PUC	ESC	2006 Total	2005 Total
Financial Position:				
Current assets	\$ 1,387,515	477,456	1,864,971	2,052,950
Capital assets	909,161	158,847	1,068,008	1,142,631
Total assets	2,296,676	636,303	2,932,979	3,195,581
Current liabilities	287,599	27,907	315,506	947,139
Loans and mortgages payable to the Township	1,682,220	481,295	2,163,515	2,622,440
Other long-term liabilities	509,527	–	509,527	386,111
Total liabilities	2,479,346	509,202	2,988,548	3,955,690
Net assets	\$ (182,670)	127,101	(55,569)	(760,109)
Results of operations:				
Revenues	\$ 2,727,614	216,805	2,944,419	2,839,024
Operating expenses	2,608,145	244,707	2,852,852	(2,931,713)
Interest paid to the Township	–	–	–	(256,940)
Net income (loss)	\$ 119,469	(27,902)	91,567	(349,629)

The mortgages payable bear interest at 0%, are not due within the next twelve months and are secured by a general security agreement and specified assets of the Township.

The loans payable bear interest at 0%, are unsecured and are not due within the next twelve months.

CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2006

11. Investments in government business enterprises (continued):

(b) The investment at December 31, 2005 consists of the following:

	PUC	ESC	2006 Total	2005 Total
Balance, beginning of year	\$ 1,415,994	636,198	2,052,192	2,401,821
Township's share of operating income (loss) for the year (11(a))	119,469	(27,902)	91,567	(349,629)
Balance, end of year	\$ 1,535,463	608,296	2,143,759	2,052,192

12. Amounts to be recovered from future revenues:

Amounts to be recovered from future revenues represent liabilities established for accrual accounting purposes. These liabilities are to be funded from future years' budgetary allocations and are comprised of:

	2006	2005
Vested sick leave	\$ 15,000	15,000
Solid waste management liabilities	1,619,000	1,580,000
Net long-term liabilities	1,300,710	1,451,152
	\$ 2,934,710	3,046,152

13. Budget figures:

Budgets established for capital funds, reserves and reserve funds are based on a project-oriented basis, the costs of which may be carried out over one or more years. Revenue fund budgets are affected on an ongoing basis as various government programs become available to the Township. As such, the budgets are not directly comparable with current year actual amounts and budgets have therefore not been reflected on the Consolidated Statement of Financial Activities and Changes in Fund Balances.

14. Public sector salary disclosure:

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

CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2006

15. Expenditures by object:

As required by Section 1700 of the Public Sector Accounting Board reporting requirements, these financial statements report on expenditures by functions. The Township's expenditures by object are as follows:

	2006	2005
Current operations:		
Library	\$ 91,018	105,600
Salaries, wages and benefits	1,615,920	1,415,920
Long-term debt charges	35,403	41,653
Materials, services, rents and financial items	3,361,695	4,248,841
	5,104,036	5,812,014
Capital:		
Materials, services, rents and financial items	166,507	337,126
Total	\$ 5,270,543	6,149,140

16. Related party transactions:

During the year, the Township earned interest income of \$Nil (2005 - \$203,905) from PUC, a related company and \$Nil (2005 - \$53,035) from ESC, a related company (note 11).

CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Schedule of Current Fund Operations and Net Equity in Government Business Enterprises

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
Revenues:		
Property taxation	\$ 1,676,475	1,640,735
User charges	1,947,557	2,070,247
Government of Canada grants	129,136	90,938
Province of Ontario grants	2,022,899	2,100,407
Investment income	56,870	272,700
Government business enterprise (share of losses)	91,567	(349,629)
Licences and permits	31,511	39,400
Fines and penalties	5,614	7,360
Penalties and interest on taxes	57,665	62,072
Other	5,815	2,447
	6,025,109	5,936,677
Expenditures:		
General government	622,347	637,447
Protection to persons and property	741,849	737,534
Transportation services	1,148,255	1,159,051
Environmental services	911,671	1,602,429
Health services	337,398	293,643
Social and family services	317,509	372,390
Recreation and cultural services	744,599	719,579
Planning and development	315,632	289,941
	5,139,260	5,812,014
Excess of revenues over expenditures	885,849	124,663
Financing and transfers:		
Debt principal repayments	(150,442)	(167,190)
Transfer to capital	(72,928)	(222,469)
Transfers to reserves	(379,618)	-
Transfers from reserves funds	-	26,546
Transfers to reserve funds	(328,914)	(348,746)
Solid waste management liabilities	39,000	750,000
	(892,902)	38,141
Net change in fund balance	\$ (7,053)	162,804

The accompanying notes are an integral part of this financial statement.

CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Schedule of Capital Fund Operations

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
Revenues:		
Province of Ontario grants	\$ -	71,286
Expenditures:		
General government	3,076	54,402
Protection to persons and property	19,195	4,573
Transportation services	56,439	18,322
Environmental services	84,875	154,574
Social and family services	-	80,757
Recreation and cultural services	2,933	13,823
Planning and development	-	10,675
	166,518	337,126
Deficiency of revenues over expenditures	(166,518)	(265,840)
Financing and transfers:		
Transfer from reserve funds	68,154	39,044
Transfer from reserves	25,436	4,327
Transfer from current fund	72,928	222,469
Net financing and transfers	166,518	265,840
Net change in fund balance	\$ -	-

The accompanying notes are an integral part of this financial statement.

CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Schedule of Reserves and Reserve Funds

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
Revenues:		
Investment income	\$ 76,159	60,189
Net transfers from (to) other funds:		
Transfers from current fund to reserve funds	328,914	348,746
Transfers from current fund to reserve	379,618	-
Transfers to current fund from reserves funds	(25,436)	(26,546)
Transfers to capital fund from reserve funds	(68,154)	(39,044)
Transfer to capital fund from reserves	-	(4,327)
Debt repayment proceeds on internally financed debt	25,062	23,398
	<u>640,004</u>	<u>302,227</u>
Net change in fund balances	\$ 716,163	362,416
Analyzed as follows:		
Reserves set aside for specific purposes by Council:		
Working funds	\$ 312,934	357,155
Public works	322,657	-
Capital	96,480	-
Recreation centre	12,000	12,000
Road construction	10,326	10,326
Annexation study	15,755	15,755
Planning	8,000	8,000
	<u>778,152</u>	<u>403,236</u>
Reserve funds set aside for specific purposes by Council:		
Building maintenance		
- Civic Centre	28,490	19,698
- Water Treatment Plant	137,133	127,026
- Recreation Centre	15,398	7,274
Public Works equipment	210,118	168,782
Capital expenditure		
- fire	280,229	249,997
- sanitary sewers	170,889	219,478
- waterworks	381,166	289,888
- library	25,377	25,377
- airport	316,026	294,198
- transit	36,715	35,296
Landfill site	379,889	243,032
Sick leave	30,038	28,877
G.E. Young Memorial	7,681	7,635
Refuse collection	98,139	89,124
Ministry of the Environment Fund for Renewals - sewer	118,470	113,891
	<u>2,235,758</u>	<u>1,919,573</u>
Less: Reserve funds committed to financing activities	<u>(192,416)</u>	<u>(217,478)</u>
	<u>2,043,342</u>	<u>1,702,095</u>
Total reserves and reserve funds	\$ 2,821,494	2,105,331

The accompanying notes are an integral part of this financial statement.