

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWNSHIP OF CHAPLEAU**

Year ended December 31, 2019

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Index to Consolidated Financial Statements

Year ended December 31, 2019

Consolidated Financial Statements

Management's Responsibility for the Consolidated Financial Statements

Independent Auditors' Report

Consolidated Statement of Financial Position 1

Consolidated Statement of Operations and Accumulated Surplus 2

Consolidated Statement of Change in Net Financial Assets 3

Consolidated Statement of Cash Flows 4

Notes to Consolidated Financial Statements 5 - 22

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.



Chelsea Swearingen
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, 2019
- 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, 2019, 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
December 14, 2020

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU


Consolidated Statement of Financial Position


December 31, 2019, with comparative information for 2018

	2019	2018
Financial assets		
Cash	\$ 2,943,358	\$ 1,620,354
Investments (note 3)	5,168,400	4,141,760
Taxes receivable	637,270	514,184
User charges receivable	374,404	311,617
Accounts receivable (note 4)	401,449	982,895
Accrued interest receivable	45,620	71,237
Investments in government business enterprises (note 11)	2,686,072	2,350,760
	<u>12,256,573</u>	<u>9,992,807</u>
Financial liabilities		
Accounts payable and accrued liabilities	405,738	566,442
Deferred revenue - obligatory reserve funds (note 5)	136,039	-
Deferred revenue - other	580,153	155,755
Vested sick leave benefits (note 7)	15,000	15,000
Solid waste management liabilities (note 8)	639,000	277,000
Long-term liabilities (note 9)	1,712,803	1,974,637
	<u>3,488,733</u>	<u>2,988,834</u>
Net financial assets	8,767,840	7,003,973
Non-financial assets		
Tangible capital assets (note 15)	25,270,905	25,568,826
Inventory and prepaids	29,031	36,361
	<u>25,299,936</u>	<u>25,605,187</u>
Commitments (note 10)		
Effects of COVID-19 (note 18)		
Accumulated surplus (note 14)	<u>\$ 34,067,776</u>	<u>\$ 32,609,160</u>

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, 2019, with comparative information for 2018

	2019 Budget (note 12)	Actual 2019	Actual 2018
Revenue:			
Property taxation	\$ 2,574,248	\$ 2,596,237	\$ 2,519,304
User charges	2,264,831	2,398,546	2,276,508
Government of Canada grants	387,510	335,270	520,057
Province of Ontario grants	2,092,281	1,738,298	2,732,464
Investment income	16,000	146,410	106,465
Licenses and permits	16,120	24,998	25,418
Fines and penalties	21,000	31,643	23,533
Penalties and interest on taxes and user charges	37,000	101,765	92,933
Share of income (loss) in government business enterprises	-	335,312	(256,273)
Other	53,000	66,537	63,763
Loss on sale of capital assets	-	-	(152,741)
Total revenue	7,461,990	7,775,016	7,951,431
Expenses:			
General government	750,624	734,371	881,674
Protection to persons and property	848,543	764,565	793,976
Transportation services	1,240,243	1,484,498	1,625,794
Environmental services	1,339,962	1,931,626	1,403,096
Health services	254,243	248,343	236,924
Social and family services	133,662	157,163	133,854
Recreational and cultural services	904,577	873,390	805,477
Planning and development	127,783	122,444	123,669
Total expenses	5,599,637	6,316,400	6,004,464
Annual surplus	1,862,353	1,458,616	1,946,967
Accumulated surplus, beginning of year	32,609,160	32,609,160	30,662,193
Accumulated surplus, end of year	\$ 34,471,513	\$ 34,067,776	\$ 32,609,160

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

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THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2019, with comparative information for 2018

	2019 Budget (note 12)	Actual 2019	Actual 2018
Annual surplus	\$ 1,862,353	\$ 1,458,616	\$ 1,946,967
Acquisition of tangible capital assets	-	(574,869)	(2,319,489)
Amortization of tangible capital assets	-	872,790	854,212
Loss on disposal of tangible capital assets	-	-	152,741
	1,862,353	1,756,537	634,431
Use (acquisition) of inventory and prepaids	-	7,330	(7,165)
Change in net financial assets	1,862,353	1,763,867	627,266
Net financial assets, beginning of year	7,003,973	7,003,973	6,376,707
Net financial assets, end of year	\$ 8,866,326	\$ 8,767,840	\$ 7,003,973

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, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,458,616	\$ 1,946,967
Items not involving cash:		
Amortization of tangible capital assets	872,790	854,212
Loss on disposal of tangible capital assets	-	152,741
Change in solid waste management liabilities	362,000	(5,000)
	2,693,406	2,948,920
Change in non-cash assets and liabilities:		
Increase in taxes receivable	(123,086)	(195)
Increase in user charges receivable	(62,787)	(15,967)
Decrease in accounts receivable	581,446	83,916
Decrease (increase) in accrued interest receivable	25,617	(38,022)
Decrease (increase) in inventory and prepaids	7,330	(7,165)
Decrease in accounts payable and accrued liabilities	(160,701)	(68,279)
Decrease (increase) in investment of government business enterprises	(335,312)	256,273
Increase in deferred revenue	560,437	92,204
Net change in cash from operating activities	3,186,350	3,251,685
Capital activities:		
Acquisition of tangible capital assets	(574,869)	(2,319,489)
Net change in cash from capital activities	(574,869)	(2,319,489)
Financing activities:		
Principal repayment on long-term liabilities	(261,837)	(257,305)
Net change in cash from financing activities	(261,837)	(257,305)
Investing activities:		
Increase in investments	(1,026,640)	(33,443)
Net change in cash from investing activities	(1,026,640)	(33,443)
Increase in cash	1,323,004	641,448
Cash, beginning of year	1,620,354	978,906
Cash, end of year	\$ 2,943,358	\$ 1,620,354

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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:

	2019	2018
Sudbury & District Health Unit	\$ 85,654	\$ 83,182
Manitoulin-Sudbury District Social Services Administration Board	193,159	189,010
	<u>\$ 278,813</u>	<u>\$ 272,192</u>

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 \$5,168,400 (2018 - \$4,141,760) reported on the consolidated statement of financial position at cost have a market value of \$5,214,777 (2018 - \$4,195,616).

4. Accounts receivable:

Accounts receivable consist of the following:

	2019	2018
Trade and miscellaneous	\$ 276,694	\$ 296,580
Government of Canada	76,107	319,466
Province of Ontario	48,648	366,849
	<u>\$ 401,449</u>	<u>\$ 982,895</u>

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2019

5. Deferred revenue – obligatory reserve funds:

A requirement of the Public Sector Accounting Board of the Chartered Professional Accounts of Canada is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as legislation and external agreements restrict how these funds may be used and under certain circumstances these funds may possibly be refunded. The balance in the obligatory reserve funds of the Township is summarized below:

	2019	2018
Obligatory reserve	\$ 136,039	\$ –

The continuity of deferred revenue – obligatory reserve funds is as follows:

	2019	2018
Balance, beginning of year	\$ –	\$ –
Add amounts received:		
Federal gas tax	257,710	134,793
Less transfer to operations:		
Federal gas tax revenue earned	(121,671)	(134,793)
Balance, end of year	\$ 136,039	\$ –

6. 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 2019 was \$99,730 (2018 - 112,251) 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.

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2019

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 (2018 - \$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.

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 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% (2018 - 5%). The estimated total landfill closure and post-closure care expenditures are calculated to be \$639,000 (2018 - \$277,000). 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. Long-term liabilities:

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

	2019	2018
NOHFC (i)	\$ 356,250	\$ 427,500
Infrastructure Ontario debenture (ii)	1,356,553	1,547,137
	<u>\$ 1,712,803</u>	<u>\$ 1,974,637</u>

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2019

9. Long-term liabilities (continued):

- (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:

2020	\$ 266,475
2021	271,228
2022	276,097
2023	281,084
2024	286,193
Thereafter	331,726

10. 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 \$262,010 (2018 - \$256,370) for the water system and \$101,337 (2018 - \$99,156) 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 2019 in By-Law 2018-03, and there was a balance owing as at December 31, 2019 of \$Nil (2018 - \$Nil).

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2019

11. Investments in government business enterprises:

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, 2019:

	2019	2018
Financial Position:		
Current assets	\$ 1,554,492	\$ 1,448,986
Capital assets	1,614,234	1,589,370
Regulatory assets	278,394	1,017,407
Total assets	3,447,120	4,055,763
Current liabilities	617,370	562,536
Other long-term liabilities	143,678	1,142,467
Total liabilities	761,048	1,705,003
Net assets	\$ 2,686,072	\$ 2,350,760
Results of operations:		
Revenues	\$ 4,103,376	\$ 3,631,484
Operating expenses	3,998,536	3,654,190
Net income (loss)	\$ 104,840	\$ (22,706)

(b) The investment at December 31, 2019 consists of the following:

	2019	2018
Balance, beginning of year	\$ 2,350,760	\$ 2,607,033
Township's share of operating income for the year (10(a))	104,840	(22,706)
Change in equity from amalgamation	230,472	(233,567)
Balance, end of year	\$ 2,686,072	\$ 2,350,760

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2019

12. 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:

Approved budget:	
Annual surplus per approved budget:	\$ 872,790
Add:	
Principal payments on long term debt	261,835
Purchase of tangible capital assets	1,666,750
Less:	
Amortization	(872,790)
Net reserve transfers	(66,232)
<hr/>	
Budget surplus per consolidated financial statements	<hr/> \$ 1,862,353 <hr/>

13. Public sector salary disclosure:

During 2019, 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, 2019

14. Accumulated surplus:

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

	2019	2018
Surplus:		
Invested in tangible capital assets	\$ 23,558,102	\$ 23,594,189
Invested in Government business enterprises	2,686,072	2,350,760
Operations	1,241,451	1,239,735
Unfunded:		
Employee benefit obligations	(15,000)	(15,000)
Landfill closure and post-closure costs	(639,000)	(277,000)
Total surplus	26,831,625	26,892,684
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
	425,955	425,955
Reserve funds set aside for specific purpose by Council:		
Building maintenance:		
Civic Centre	410,185	410,185
Water Treatment Plant	226,699	226,699
Sewage Treatment Plant	175,885	175,885
Recreation Centre	253,810	172,936
Public Works equipment	546,547	343,673
Capital expenditures:		
Fire	395,418	364,218
Sanitary sewers	562,534	325,026
Waterworks	2,110,218	1,579,757
Library	32,728	32,728
Airport	225,760	215,760
Transit	297,398	279,898
Landfill site	1,164,042	856,061
Sick leave	30,430	30,430
G.E. Young Memorial	8,212	8,212
Refuse collection	370,330	269,053
Total reserves	6,810,196	5,290,521
	\$ 34,067,776	\$ 32,609,160

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2019

15. Tangible capital assets:

Cost	Balance at December 31, 2018	Additions	Disposals	Balance at December 31, 2019
Land	\$ 113,279	-	-	113,279
Buildings	6,579,876	61,746	(11,611)	6,630,011
Bridges and culverts	2,667,990	-	-	2,667,990
Vehicles	1,610,424	-	-	1,610,424
Machinery and equipment	3,946,858	91,818	(12,532)	4,026,144
Water and sewer	15,169,585	-	(18,860)	15,150,725
Roads	13,786,284	-	-	13,786,284
Construction in progress	274,295	421,305	-	695,600
Total	\$ 44,148,591	574,869	(43,003)	44,680,457

Accumulated Amortization	Balance at December 31, 2018	Disposals	Amortization	Balance at December 31, 2019
Land	\$ -	-	-	-
Buildings	2,484,593	(11,611)	142,696	2,615,678
Bridges and culverts	1,355,488	-	41,927	1,397,415
Vehicles	991,546	-	72,569	1,064,115
Machinery and equipment	1,773,569	(12,532)	122,888	1,883,925
Water and sewer	5,000,043	(18,860)	257,030	5,238,213
Roads	6,974,526	-	235,680	7,210,206
Construction in progress	-	-	-	-
Total	\$ 18,579,765	(43,003)	872,790	19,409,552

	Net book value, December 31, 2018	Net book value, December 31, 2019
Land	\$ 113,279	113,279
Buildings	4,095,283	4,014,333
Bridges and culverts	1,312,502	1,270,575
Vehicles	618,878	546,309
Machinery and equipment	2,173,289	2,142,219
Water and sewer	10,169,542	9,912,512
Roads	6,811,758	6,576,078
Construction in progress	274,295	695,600
Total	\$ 25,568,826	25,270,905

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2018

15. 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
Total	\$ 42,244,470	2,319,489	(415,368)	-	44,148,591

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	-	-	-	-
Total	\$ 17,988,180	(262,627)	854,212	18,579,765

	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
Total	\$ 24,256,290	25,568,826

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2019

15. Tangible capital assets (continued):

a) Assets under construction:

Assets under construction having a value of \$695,598 (2018 - \$274,295) 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 (2018 - \$Nil).

16. Trust funds:

Trust Funds administered by the Township amounting to \$180,793 (2018 - \$176,613) have not been included on the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations and accumulated surplus.

17. Comparative information:

Certain comparative information have been reclassified to conform to the consolidated financial statement presentation adopted for 2019.

18. Effects of COVID-19:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Township's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect to the Township's business is not known at this time.

19. 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:

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2019

19. Segmented information (continued):

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.

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.

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2019

19. Segmented information (continued):

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 19 - Segmented Information (continued)

Year ended December 31, 2019

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Total 2019
Revenues:									
Property taxation	\$ 301,850	314,260	610,175	793,958	102,077	64,599	358,990	50,328	2,596,237
User charges	16,116	70,503	281,294	1,889,943	7,987	14,601	118,102	-	2,398,546
Government of Canada grants	-	-	335,270	-	-	-	-	-	335,270
Province of Ontario grants	371,232	169,244	328,609	502,811	54,973	80,126	204,199	27,104	1,738,298
Investment income	146,410	-	-	-	-	-	-	-	146,410
Government business enterprise	335,312	-	-	-	-	-	-	-	335,312
Licenses and permits	24,998	-	-	-	-	-	-	-	24,998
Fines and penalties	-	31,643	-	-	-	-	-	-	31,643
Penalties and interest on taxes and user fees	101,765	-	-	-	-	-	-	-	101,765
Other	66,537	-	-	-	-	-	-	-	66,537
	1,364,220	585,650	1,555,348	3,186,712	165,037	159,326	681,291	77,432	7,775,016
Expenses:									
Salaries, wages and benefits	470,083	136,360	417,568	279,688	8,821	-	307,119	63,422	1,683,061
Materials	229,157	100,782	703,619	949,200	29,468	80,974	410,493	59,022	2,562,715
Contracted services	-	504,148	-	378,563	-	-	-	-	882,711
Rents and financial	-	-	19,062	17,246	-	-	-	-	36,308
External agencies	-	-	-	-	209,648	69,167	-	-	278,815
Amortization of tangible capital assets	35,131	23,275	344,249	306,929	406	7,022	155,778	-	872,790
	734,371	764,565	1,484,498	1,931,626	248,343	157,163	873,390	122,444	6,316,400
	\$ 629,849	(178,915)	70,850	1,255,086	(83,306)	2,163	(192,099)	(45,012)	1,458,616

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Note 19 - Segmented Information (continued)

Year ended December 31, 2019

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Total 2018
Revenues:									
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
Expenses:									
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