

Consolidated Financial Statements of

**CORPORATION OF THE
TOWNSHIP OF CHAPLEAU**

Year ended December 31, 2007

CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Consolidated Financial Statements Index

Year ended December 31, 2007

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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, 2007 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, 2007 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 7, 2008

CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Consolidated Statement of Financial Position

December 31, 2007, with comparative figures for 2006

	2007	2006
Assets		
Financial assets:		
Cash	\$ 749,233	1,305,368
Investments (note 3)	2,068,057	1,586,301
Taxes receivable	113,714	120,612
User charges receivable	163,934	157,287
Accounts receivable (note 4)	368,083	172,285
Accrued interest receivable	30,504	45,156
	<u>3,493,525</u>	<u>3,387,009</u>
Non-financial assets:		
Inventory and prepaids	58,849	53,614
Investments in government business enterprises	2,079,553	2,143,759
	<u>\$ 5,631,927</u>	<u>5,584,382</u>

Liabilities and Municipal Position

Accounts payable and accrued liabilities (note 5)	\$ 555,084	484,471
Other current liabilities	10,597	25,432
Deferred revenue - Obligatory Reserve Fund	-	35,131
Vested sick leave benefits (note 7)	15,000	15,000
Solid waste management liabilities (note 8)	1,661,000	1,619,000
Net-long term liabilities (note 9)	1,150,270	1,300,710
	<u>3,391,951</u>	<u>3,479,744</u>
Municipal Position		
Fund balances:		
Current (schedule)	189,454	74,095
Reserves (schedule)	449,713	778,152
Reserve funds (schedule)	2,347,526	2,043,342
Investments in government business enterprises (note 11)	2,079,553	2,143,759
	<u>5,066,246</u>	<u>5,039,348</u>
Amounts to be recovered from future revenues (note 12)	(2,826,270)	(2,934,710)
	<u>\$ 5,631,927</u>	<u>5,584,382</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, 2007, with comparative figures for 2006

	2007	2006
Revenues:		
Property taxation	\$ 1,733,408	1,676,475
User charges	1,593,011	1,947,557
Government of Canada grants	163,834	129,136
Province of Ontario grants	2,219,002	2,022,899
Investment income	147,889	117,924
Licences and permits	12,836	31,511
Fines and penalties	2,856	5,614
Penalties and interest on taxes	66,913	57,665
Government business enterprise (share of losses)	(64,206)	91,567
Other	189,068	5,815
	6,064,611	6,086,163
Expenditures:		
Current operations:		
General government	630,378	622,347
Protection to persons and property	646,770	741,849
Transportation services	1,001,499	1,148,255
Environmental services	926,801	896,566
Health services	280,674	337,398
Social and family services	215,297	317,509
Recreation and cultural services	583,000	744,599
Planning and development	358,688	315,632
	4,643,107	5,124,155
Capital:		
General government	13,052	3,076
Protection to persons and property	207,270	19,195
Transportation services	980,405	56,439
Environmental services	49,063	84,875
Planning and development	308	-
Recreation and cultural services	43,189	2,933
	1,293,287	166,518
	5,936,394	5,290,673
Excess of revenues over expenditures	128,217	795,490
Debt principal repayments on external financing	(150,441)	(125,380)
Other transfers	7,122	-
Solid waste management liabilities	42,000	39,000
Net change in fund balances	26,898	709,110
Fund balances, beginning of year	5,039,348	4,330,238
Fund balances, end of year	\$ 5,066,246	5,039,348

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, 2007, with comparative figures for 2006

	2007	2006
Cash flows from operating activities:		
Excess of revenues over expenditures	\$ 128,217	795,490
Change in non-cash working capital:		
Taxes receivable	6,898	93,664
User charges receivable	(6,647)	(3,795)
Accounts receivable	(195,798)	(49,676)
Accrued interest receivable	14,652	(17,515)
Inventory and prepaids	(5,235)	(5,936)
Accounts payable and accrued liabilities	70,613	97,231
Other current liabilities	(14,835)	(6,459)
Deferred revenue - Obligatory Reserve Fund	(35,131)	20,471
Solid waste management liabilities	42,000	39,000
	4,734	962,475
Cash flows from investing activities:		
Investments	(481,756)	(78,548)
Investments in government business enterprises	64,206	(91,567)
	(417,550)	(170,115)
Cash flows from financing activities:		
Debt principal repayments on external financing	(150,441)	(125,380)
Other transfers	7,122	-
	(143,319)	(125,380)
Net increase (decrease) in cash	(556,135)	666,980
Cash, beginning of year	1,305,368	638,388
Cash, end of year	\$ 749,233	1,305,368

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, 2007

1. Significant accounting policies:

The consolidated financial statements of the Corporation of the Township of Chapleau (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 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 \$147,261 (2006 - \$138,425).

CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2007

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, 2007

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:

	2007	2006
Sudbury & District Health Unit	\$ 75,948	89,304
Manitoulin-Sudbury District Social Services Administration Board	313,869	326,111
	\$ 389,817	415,415

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 \$2,068,057 (2006 - \$1,586,301) reported on the Consolidated Statement of Financial Position at cost have a market value of \$2,072,617 (2006 - \$1,610,420).

CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2007

4. Accounts receivable:

Accounts receivable consist of the following:

	2007	2006
Trade and miscellaneous	\$ 242,009	101,269
Government of Canada	98,078	70,570
Province of Ontario	27,996	446
	\$ 368,083	172,285

5. Accounts payable and accrued liabilities:

Accounts payable consist of the following:

	2007	2006
Trade and miscellaneous	\$ 533,708	476,920
Province of Ontario	20,711	7,835
Government of Canada	641	641
School boards (recovery)	24	(925)
	\$ 555,084	484,471

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 2007 was \$67,222 (2006 - \$61,811).

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 (2006 - \$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, 2007

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 \$1,661,000 (2006 - \$1,619,000). 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:

	2007	2006
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	\$ 1,300,712	1,451,152
Long-term liabilities paid out during the year	(150,442)	(150,442)
Net long-term liabilities, end of year	\$ 1,150,270	1,300,710

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

	2008 to 2012	2013 onwards
- from general municipal revenues	\$ 599,644	550,624

- (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, 2007

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 \$195,850 (2006 - \$193,718) for the water system and \$74,350 (2006 - \$73,541) 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, 2007:

	PUC	ESC	2007 Total	2006 Total
Financial Position:				
Current assets	\$ 1,411,099	480,808	1,891,907	1,864,971
Capital assets	872,800	142,559	1,015,359	1,068,008
Total assets	2,283,899	623,367	2,907,266	2,932,979
Current liabilities	323,670	54,039	377,709	315,506
Loans and mortgages payable to the Township	1,121,529	320,913	1,442,442	2,163,515
Other long-term liabilities	485,820	-	485,820	509,527
Total liabilities	1,931,019	374,952	2,305,971	2,988,548
Net assets	\$ (352,880)	(248,415)	(601,295)	(55,569)
Results of operations:				
Revenues	\$ 2,728,531	176,599	2,905,130	2,944,419
Operating expenses	2,753,670	215,666	2,969,336	2,852,852
Net income (loss)	\$ (25,139)	(39,067)	(64,206)	91,567

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, 2007

11. Investments in government business enterprises (continued):

(b) The investment at December 31, 2007 consists of the following:

	PUC	ESC	2007 Total	2006 Total
Balance, beginning of year	\$ 1,535,463	608,296	2,143,759	2,052,192
Township's share of operating income (loss) for the year (11(a))	(25,139)	(39,067)	(64,206)	91,567
Balance, end of year	\$ 1,510,324	569,229	2,079,553	2,143,759

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:

	2007	2006
Vested sick leave	\$ 15,000	15,000
Solid waste management liabilities	1,661,000	1,619,000
Net long-term liabilities	1,150,270	1,300,710
	\$ 2,826,270	2,934,710

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, 2007

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:

	2007	2006
Current operations:		
Library	\$ 91,608	91,018
Salaries, wages and benefits	1,421,319	1,615,920
Long-term debt charges	18,576	20,298
Materials, services, rents and financial items	3,069,604	3,361,695
	4,601,107	5,088,931
Capital:		
Materials, services, rents and financial items	1,293,287	166,507
Total	\$ 5,894,394	5,255,438

16. Changes in accounting policies:

Commencing with the fiscal year beginning January 1, 2009, the Township will be adopting CICA Public Sector Accounting Handbook section PS 3150, "Tangible Capital Assets". This section establishes standards on how to account for and report tangible capital assets in government financial statements. Tangible capital assets include such diverse items as roads, bridges, buildings, vehicles, equipment, land, sewer and water systems.

Effective January 1, 2007, the Township adopted Public Sector Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets by way of a note to the financial statements until Section 3150 – Tangible Capital Assets comes into effect on January 1, 2009.

As of December 31, 2007, the Township does not have adequate information to disclose any of the tangible capital assets by major category.

17. Comparative figures:

Certain of the 2006 comparative figures have been reclassified to conform with the 2007 presentation.

CORPORATION OF THE TOWNSHIP OF CHAPLEAU

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

Year ended December 31, 2007, with comparative figures for 2006

	2007	2006
Revenues:		
Property taxation	\$ 1,733,408	1,676,475
User charges	1,593,011	1,947,557
Government of Canada grants	90,213	129,136
Province of Ontario grants	1,719,002	2,022,899
Investment income	81,089	56,870
Government business enterprise (share of losses)	(64,206)	91,567
Licences and permits	12,836	31,511
Fines and penalties	2,856	5,614
Penalties and interest on taxes	66,913	57,665
Other	189,068	5,815
	<u>5,424,190</u>	<u>6,025,109</u>
Expenditures:		
General government	630,378	622,347
Protection to persons and property	646,770	741,849
Transportation services	1,001,499	1,148,255
Environmental services	926,801	896,566
Health services	280,674	337,398
Social and family services	215,297	317,509
Recreation and cultural services	583,000	744,599
Planning and development	358,688	315,632
	<u>4,643,107</u>	<u>5,124,155</u>
Excess of revenues over expenditures	781,083	900,954
Financing and transfers:		
Debt principal repayments	(150,441)	(125,380)
Transfer to capital	(121,464)	(72,928)
Transfers to reserves	(53,646)	(379,618)
Transfers from reserve funds	260	-
Transfers to reserve funds	(446,639)	(369,081)
Solid waste management liabilities	42,000	39,000
	<u>(729,930)</u>	<u>(908,007)</u>
Net change in fund balance	\$ 51,153	(7,053)

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, 2007, with comparative figures for 2006

	2007	2006
Revenues:		
Province of Ontario grants	\$ 500,000	-
Government of Canada grants	73,621	-
	<u>573,621</u>	<u>-</u>
Expenditures:		
General government	13,052	3,076
Protection to persons and property	207,270	19,195
Transportation services	980,405	56,439
Environmental services	49,063	84,875
Recreation and cultural services	43,189	2,933
Planning and development	308	-
	<u>1,293,287</u>	<u>166,518</u>
Deficiency of revenues over expenditures	(719,666)	(166,518)
Financing and transfers:		
Transfer from reserve funds	207,270	68,154
Transfer from reserves	390,932	25,436
Transfer from current fund	121,464	72,928
Net financing and transfers	<u>719,666</u>	<u>166,518</u>
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, 2007, with comparative figures for 2006

	2007	2006
Revenues:		
Investment income	\$ 66,800	61,054
Net transfers from (to) other funds:		
Transfers from current fund to reserve funds	446,639	369,081
Transfers from current fund to reserves	53,646	379,618
Transfers to current fund from reserve funds	(260)	-
Transfers to capital fund from reserve funds	(207,270)	(68,154)
Transfers to capital fund from reserves	(390,932)	(25,436)
Other transfers to reserves	8,847	-
Other transfers from reserve funds	(1,725)	-
	(91,055)	655,109
Net change in fund balances	\$ (24,255)	716,163
Analyzed as follows:		
Reserves set aside for specific purposes by Council:		
Working funds	\$ 340,776	312,934
Public works	-	322,657
Capital	28,206	96,480
Recreation centre	12,000	12,000
Road construction	17,226	10,326
Annexation study	15,755	15,755
Planning	35,750	8,000
	449,713	778,152
Reserve funds set aside for specific purposes by Council:		
Building maintenance		
- Civic Centre	38,109	28,490
- Water Treatment Plant	146,788	137,133
- Sewage Treatment Plant	124,397	118,470
- Recreation Centre	20,062	15,398
Public Works equipment	253,189	210,118
Capital expenditure		
- fire	96,112	280,229
- sanitary sewers	181,437	170,889
- waterworks	497,931	381,166
- library	23,652	25,377
- airport	335,221	316,026
- transit	61,395	36,715
Landfill site	540,990	379,889
Sick leave	63,034	30,038
G.E. Young Memorial	7,670	7,681
Refuse collection	121,511	98,139
	2,511,498	2,235,758
Less: Reserve funds committed to financing activities	(163,972)	(192,416)
	2,347,526	2,043,342
Total reserves and reserve funds	\$ 2,797,239	2,821,494

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