

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWNSHIP OF CHAPLEAU**

Year ended December 31, 2016

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

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Management's Responsibility for the Consolidated Financial Statements

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


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

Council meets with Management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

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



Chief Administrative Officer



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

We have audited the accompanying consolidated financial statements of The Corporation of the Township of Chapleau which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Township of Chapleau as at December 31, 2016 and its consolidated results of operations, its change in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

July 18, 2017

Sudbury, Canada

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Consolidated Statement of Financial Position

December 31, 2016, with comparative information for 2015

| | 2016 | 2015 |
|--|-------------------|-------------------|
| Financial assets | | |
| Cash | \$ 362,768 | \$ 960,957 |
| Investments (note 3) | 4,599,581 | 4,103,989 |
| Taxes receivable | 436,268 | 414,604 |
| User charges receivable | 247,332 | 256,770 |
| Accounts receivable (note 4) | 704,992 | 440,745 |
| Accrued interest receivable | 17,708 | 16,303 |
| Investments in government business enterprises (note 11) | 2,556,244 | 2,606,668 |
| | <u>8,924,893</u> | <u>8,800,036</u> |
| Financial liabilities | | |
| Accounts payable and accrued liabilities (note 5) | 959,394 | 867,903 |
| Deferred revenue | 190,042 | 132,609 |
| Vested sick leave benefits (note 7) | 15,000 | 15,000 |
| Solid waste management liabilities (note 9) | 318,000 | 325,000 |
| Long-term liabilities (note 8) | 2,484,825 | 2,645,806 |
| | <u>3,967,261</u> | <u>3,986,318</u> |
| Net financial assets | 4,957,632 | 4,813,718 |
| Non-financial assets | | |
| Tangible capital assets (note 15) | 22,425,316 | 21,562,655 |
| Inventory and prepaids | 26,961 | 52,467 |
| | <u>22,452,277</u> | <u>21,615,122</u> |
| Commitment (note 10) | | |
| Accumulated surplus (note 14) | \$ 27,409,909 | \$ 26,428,840 |

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, 2016, with comparative information for 2015

| | 2016 Budget (note 12) | Actual 2016 | Actual 2015 |
|---|-----------------------------|----------------------|----------------------|
| Revenue: | | | |
| Property taxation | \$ 2,385,683 | \$ 2,392,953 | \$ 2,313,129 |
| User charges | 1,819,970 | 1,904,541 | 1,861,937 |
| Government of Canada grants | 214,166 | 531,540 | 234,449 |
| Province of Ontario grants | 1,590,102 | 2,314,505 | 1,578,061 |
| Investment income | 16,000 | 21,201 | 91,931 |
| Licenses and permits | 12,790 | 26,148 | 16,085 |
| Fines and penalties | 20,000 | 26,383 | 19,607 |
| Penalties and interest on taxes and user charges | 37,000 | 129,921 | 119,957 |
| Government business enterprises | - | (50,424) | 18,338 |
| Other | 12,000 | 71,584 | 13,579 |
| Total revenue | 6,107,711 | 7,368,352 | 6,267,073 |
| Expenses: | | | |
| General government | 649,828 | 750,296 | 737,581 |
| Protection to persons and property | 1,005,028 | 869,704 | 923,147 |
| Transportation services | 1,133,430 | 1,473,895 | 1,550,575 |
| Environmental services | 1,149,165 | 1,776,471 | 1,371,171 |
| Health services | 214,413 | 222,950 | 210,087 |
| Social and family services | 119,288 | 127,337 | 132,811 |
| Recreational and cultural services | 857,213 | 853,894 | 845,554 |
| Planning and development | 334,910 | 312,736 | 143,037 |
| Total expenses | 5,463,275 | 6,387,283 | 5,913,963 |
| Annual surplus | 644,436 | 981,069 | 353,110 |
| Accumulated surplus, beginning of year | 26,428,840 | 26,428,840 | 26,075,730 |
| Accumulated surplus, end of year | \$ 27,073,276 | \$ 27,409,909 | \$ 26,428,840 |

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

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2016, with comparative information for 2015

| | 2016 Budget (note 12) | Actual 2016 | Actual 2015 |
|---|-----------------------------|----------------|----------------|
| Annual surplus | \$ 644,436 | \$ 981,069 | \$ 353,110 |
| Acquisition of tangible capital assets | - | (1,695,076) | (2,597,356) |
| Amortization of tangible capital assets | - | 811,214 | 765,660 |
| Loss on disposal of tangible capital assets | - | 21,201 | 36,939 |
| | 644,436 | 118,408 | (1,441,647) |
| Acquisition of inventory and prepaids | - | 25,506 | (8,397) |
| Change in net financial assets | 644,436 | 143,914 | (1,450,044) |
| Net financial assets, beginning of year | 4,813,718 | 4,813,718 | 6,263,762 |
| Net financial assets, end of year | \$ 5,458,154 | \$ 4,957,632 | \$ 4,813,718 |

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, 2016, with comparative information for 2015

| | 2016 | 2015 |
|--|-------------|-------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus | \$ 981,069 | \$ 353,110 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 811,214 | 765,660 |
| Loss on sale of tangible capital assets | 21,201 | 36,939 |
| Change in solid waste management liabilities | (7,000) | (7,000) |
| | 1,806,484 | 1,148,709 |
| Change in non-cash assets and liabilities: | | |
| Decrease (increase) in taxes receivable | (21,664) | 16,714 |
| Decrease (increase) in user charges receivable | 9,438 | (14,796) |
| Increase in accounts receivable | (264,247) | (203,097) |
| Increase in accrued interest receivable | (1,405) | (11,280) |
| Decrease (increase) in inventory and prepaids | 25,506 | (8,397) |
| Increase in accounts payable and accrued liabilities | 91,491 | 281,245 |
| Decrease (increase) in investment of government business enterprises | 50,424 | (18,338) |
| Increase in deferred revenue | 57,433 | 113,140 |
| Net change in cash from operating activities | 1,753,460 | 1,303,900 |
| Capital activities: | | |
| Cash used to acquire tangible capital assets | (1,695,076) | (2,597,356) |
| Net change in cash from capital activities | (1,695,076) | (2,597,356) |
| Financing activities: | | |
| Principal repayment on long-term liabilities | (160,981) | - |
| Issuance of long-term debt | - | 2,004,556 |
| Net change in cash from financing activities | (160,981) | 2,004,556 |
| Investing activities: | | |
| Increase in investments | (495,592) | (566,056) |
| Net change in cash from investing activities | (495,592) | (566,056) |
| Increase (decrease) in cash | (598,189) | 145,044 |
| Cash, beginning of year | 960,957 | 815,913 |
| Cash, end of year | \$ 362,768 | \$ 960,957 |

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, 2016

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 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, 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 asset account. Any dividends that the Township may receive from the government business enterprises will be reflected as reductions in the investment asset account.

(iii) Non-consolidated entities:

The following joint local boards are not consolidated:

Sudbury & District Health Unit

Manitoulin-Sudbury District Social Services Administration Board

Chapleau Economic Development Corporation

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2016

1. Significant accounting policies (continued):

(a) Reporting equity (continued):

(iv) Accounting for school board transactions:

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in the fund balances of these consolidated financial statements. Over levies (under levies) are reported on the consolidated statement of financial position as other current liabilities (other current assets).

(v) Trust funds:

Trust funds and their related operations administered by the Township are not consolidated, but are reported separately. These funds amounted to \$169,163 (2015 - \$161,613).

(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 (note 10).

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2016

1. Significant accounting policies (continued):

(b) Basis of accounting (continued):

(vi) 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.

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.

(vii) 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 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:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2016

1. Significant accounting policies (continued):

(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 |
|-------------------------|---------------------|
| Vehicles | 12 - 35 |
| Bridges and culverts | 45 - 80 |
| Buildings | 20 - 80 |
| 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.

(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.

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2016

2. Contributions to unconsolidated joint boards:

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

| | 2016 | 2015 |
|---|-------------------|-------------------|
| Sudbury & District Health Unit | \$ 83,120 | \$ 81,516 |
| Manitoulin-Sudbury District Social Services Administration Board | 179,881 | 178,646 |
| Chapleau Economic Development Corporation | 101,500 | 43,227 |
| | <u>\$ 364,501</u> | <u>\$ 303,389</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 \$4,599,581 (2015 - \$4,103,989) reported on the consolidated statement of financial position at cost have a market value of \$4,587,667 (2015 - \$4,068,810).

4. Accounts receivable:

Accounts receivable consist of the following:

| | 2016 | 2015 |
|-------------------------|-------------------|-------------------|
| Trade and miscellaneous | \$ 79,405 | \$ 102,328 |
| Government of Canada | 370,410 | 191,074 |
| Province of Ontario | 255,177 | 147,343 |
| | <u>\$ 704,992</u> | <u>\$ 440,745</u> |

5. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of the following:

| | 2016 | 2015 |
|-------------------------|-------------------|-------------------|
| Trade and miscellaneous | \$ 946,697 | \$ 842,009 |
| Province of Ontario | 12,697 | 25,894 |
| | <u>\$ 959,394</u> | <u>\$ 867,903</u> |

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2016

6. Pension agreements:

The Township makes contributions to the Ontario Municipal Employee Retirement System (OMERS) (the "Plan"), which is a multi-employer plan, on behalf of all permanent, full-time 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 contribution required on account of current service is \$101,256 (2015 - \$92,228).

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 (2015 - \$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. Long-term liabilities:

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

| | 2016 | 2015 |
|---------------------------------------|---------------------|---------------------|
| NOHFC (i) | \$ 570,000 | \$ 641,250 |
| Infrastructure Ontario debenture (ii) | 1,914,825 | 2,004,556 |
| | <u>\$ 2,484,825</u> | <u>\$ 2,645,806</u> |

- (i) NOHFC loan bears no interest and is due December, 2024. Effective December 31, 2011, the Township's obligation to make annual payments is deferred for 5 years. The remaining 9 annual principal payments in the amount of \$71,250 will commence December 31, 2016.
- (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 equal semi-annual instalments of combined principal and interest for total payments of \$113,446.

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2016

8. Long-term liabilities:

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

| | |
|------------|------------|
| 2017 | \$ 254,531 |
| 2018 | 258,994 |
| 2019 | 263,564 |
| 2020 | 268,247 |
| 2021 | 273,043 |
| thereafter | 1,166,446 |

9. 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% (2015 - 5%). The estimated total landfill closure and post-closure care expenditures are calculated to be \$318,000 (2015 - \$325,000). 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.

10. Commitment:

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 \$247,627 (2015 - \$247,627) for the water system and \$95,987 (2015 - \$95,987) for the sewer system.

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2016

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, 2016:

| | PUC | ESC | 2016 Total | 2015 Total |
|-----------------------------|---------------------|-----------------|------------------|------------------|
| Financial Position: | | | | |
| Current assets | \$ 1,415,026 | 552,090 | 1,967,116 | 2,012,049 |
| Capital assets | 1,104,691 | 119,292 | 1,223,983 | 1,253,803 |
| Regulatory assets | 1,287,797 | – | 1,287,797 | 1,207,050 |
| Total assets | 3,807,514 | 671,382 | 4,478,896 | 4,472,902 |
| Current liabilities | 496,806 | 174,241 | 671,047 | 629,829 |
| Other long-term liabilities | – | – | – | 25,054 |
| Total liabilities | 496,806 | 174,241 | 671,047 | 654,883 |
| Net assets | \$ 3,310,708 | 497,141 | 3,807,849 | 3,818,019 |
| Results of operations: | | | | |
| Revenues | \$ 4,093,177 | 42,471 | 4,135,648 | 4,031,749 |
| Operating expenses | 4,069,143 | 116,929 | 4,186,072 | 4,013,411 |
| Net income (loss) | \$ 24,034 | (74,458) | (50,424) | 18,338 |

(b) The investment at December 31, 2016 consists of the following:

| | PUC | ESC | 2016 Total | 2015 Total |
|--|---------------------|----------------|------------------|------------------|
| Balance, beginning of year | \$ 2,035,070 | 571,598 | 2,606,668 | 2,588,330 |
| Township's share of operating income (loss) for the year (11(a)) | 24,034 | (74,458) | (50,424) | 18,338 |
| Balance, end of year | \$ 2,059,104 | 497,140 | 2,556,244 | 2,606,668 |

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2016

12. Budget figures:

The budget data presented in these consolidated financial statements is based upon the 2016 operating and capital budgets approved by Council. The reconciliation of the approved budget to the budget figures reported in these consolidated financial statements is listed below.

| | |
|---------------------------------|--------------|
| Approved budget | |
| Total expenses per budget | \$ 9,131,073 |
| Less: | |
| Capital | (2,659,073) |
| Debt principal repayments | (211,865) |
| Transfers to/from reserves | (796,860) |
| | <hr/> |
| | (3,667,798) |
| | <hr/> |
| Budget per financial statements | \$ 5,463,275 |
| | <hr/> |

13. Public sector salary disclosure:

During 2016, 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, 2016

14. Accumulated surplus:

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

| | 2016 | 2015 |
|--|----------------------|----------------------|
| Surplus: | | |
| Invested in tangible capital assets | \$ 19,940,491 | \$ 18,916,847 |
| Invested in Government business enterprises | 2,556,244 | 2,606,668 |
| Operations | 657,395 | 629,089 |
| Unfunded: | | |
| Employee benefit obligations | (318,000) | (325,000) |
| Landfill closure and post-closure costs | (15,000) | (15,000) |
| Total surplus | 22,821,130 | 21,812,604 |
| 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 | 432,018 | 397,549 |
| Water Treatment Plant | 211,096 | 202,440 |
| Sewage Treatment Plant | 167,469 | 162,534 |
| Recreation Centre | 90,437 | 128,511 |
| Public Works equipment | 153,103 | 348,874 |
| Capital expenditures: | | |
| Fire | 354,276 | 317,345 |
| Sanitary sewers | 107,954 | 279,833 |
| Waterworks | 1,133,812 | 937,867 |
| Library | 32,728 | 32,728 |
| Airport | 144,135 | 195,151 |
| Transit | 237,897 | 216,637 |
| Landfill site | 893,157 | 804,892 |
| Sick leave | 29,653 | 29,127 |
| G.E. Young Memorial | 8,198 | 8,229 |
| Refuse collection | 166,891 | 128,564 |
| Total reserves | 4,162,824 | 4,190,281 |
| | \$ 27,409,909 | \$ 26,428,840 |

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2016

15. Tangible capital assets:

| Cost | Balance at December 31, 2015 | Additions | Disposals | Transfers | Balance at December 31, 2016 |
|--------------------------|------------------------------------|------------------|-----------------|-----------|------------------------------------|
| Land | \$ 113,279 | - | - | - | 113,279 |
| Buildings | 4,813,417 | 9,862 | (8,750) | - | 4,814,529 |
| Bridges and culverts | 2,364,262 | 317,783 | (47,953) | 12,373 | 2,646,465 |
| Vehicles | 1,598,507 | - | - | - | 1,598,507 |
| Machinery and equipment | 2,139,968 | 71,298 | - | - | 2,211,266 |
| Water and sewer | 13,773,888 | 31,613 | (3,182) | - | 13,802,319 |
| Roads | 12,969,330 | - | - | - | 12,969,330 |
| Construction in progress | 273,994 | 1,264,519 | - | (12,373) | 1,526,140 |
| Total | \$ 38,046,645 | 1,695,075 | (59,885) | - | 39,681,835 |

| Accumulated Amortization | Balance at December 31, 2015 | Disposals | Amortization | Balance at December 31, 2016 |
|-----------------------------|------------------------------------|-----------------|----------------|------------------------------------|
| Land | \$ - | - | - | - |
| Buildings | 2,366,599 | (8,750) | 95,037 | 2,452,886 |
| Bridges and culverts | 1,258,354 | (26,753) | 37,300 | 1,268,901 |
| Vehicles | 778,064 | - | 87,684 | 865,748 |
| Machinery and equipment | 1,439,757 | - | 98,587 | 1,538,344 |
| Water and sewer | 4,380,863 | (3,182) | 257,799 | 4,635,480 |
| Roads | 6,260,353 | - | 234,807 | 6,495,160 |
| Construction in progress | - | - | - | - |
| Total | \$ 16,483,990 | (38,685) | 811,214 | 17,256,519 |

| | Net book value, December 31, 2015 | Net book value, December 31, 2016 |
|--------------------------|---|---|
| Land | \$ 113,279 | 113,279 |
| Buildings | 2,446,818 | 2,361,643 |
| Bridges and culverts | 1,105,908 | 1,377,564 |
| Vehicles | 820,443 | 732,759 |
| Machinery and equipment | 700,211 | 672,922 |
| Water and sewer | 9,393,025 | 9,166,839 |
| Roads | 6,708,977 | 6,474,170 |
| Construction in progress | 273,994 | 1,526,140 |
| Total | \$ 21,562,655 | 22,425,316 |

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2016

15. Tangible capital assets (continued):

| Cost | Balance at December 31, 2014 | Additions | Disposals | Transfers | Balance at December 31, 2015 |
|--------------------------|------------------------------------|------------------|------------------|--------------------|------------------------------------|
| Land | \$ 113,279 | - | - | - | 113,279 |
| Buildings | 4,679,346 | 180,907 | (46,836) | - | 4,813,417 |
| Bridges and culverts | 2,364,262 | - | - | - | 2,364,262 |
| Vehicles | 1,598,507 | - | - | - | 1,598,507 |
| Machinery and equipment | 2,113,565 | 26,403 | - | - | 2,139,968 |
| Water and sewer | 11,207,854 | 2,442,384 | (19,460) | 143,110 | 13,773,888 |
| Roads | 12,223,112 | 876,102 | (129,884) | - | 12,969,330 |
| Construction in progress | 1,345,544 | 156,627 | - | (1,228,177) | 273,994 |
| Total | \$ 35,645,469 | 3,682,423 | (196,180) | (1,085,067) | 38,046,645 |

| Accumulated Amortization | Balance at December 31, 2014 | Disposals | Amortization | Balance at December 31, 2015 |
|-----------------------------|------------------------------------|------------------|----------------|------------------------------------|
| Land | \$ - | - | - | - |
| Buildings | 2,313,714 | (37,903) | 90,788 | 2,366,599 |
| Bridges and culverts | 1,223,828 | - | 34,526 | 1,258,354 |
| Vehicles | 726,107 | - | 51,957 | 778,064 |
| Machinery and equipment | 1,305,077 | - | 134,680 | 1,439,757 |
| Water and sewer | 4,168,356 | (17,158) | 229,665 | 4,380,863 |
| Roads | 6,140,489 | (104,180) | 224,044 | 6,260,353 |
| Construction in progress | - | - | - | - |
| Total | \$ 15,877,571 | (159,241) | 765,660 | 16,483,990 |

| | Net book value, December 31, 2014 | Net book value, December 31, 2015 |
|--------------------------|---|---|
| Land | \$ 113,279 | 113,279 |
| Buildings | 2,365,632 | 2,446,818 |
| Bridges and culverts | 1,140,434 | 1,105,908 |
| Vehicles | 872,400 | 820,443 |
| Machinery and equipment | 808,488 | 700,211 |
| Water and sewer | 7,039,498 | 9,393,025 |
| Roads | 6,082,623 | 6,708,977 |
| Construction in progress | 1,345,544 | 273,994 |
| Total | \$ 19,767,898 | 21,562,655 |

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Notes to Consolidated Financial Statements

Year ended December 31, 2016

15. Tangible capital assets (continued):

a) Assets under construction:

Assets under construction having a value of \$1,526,141 (2015 - \$273,994) 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 (2015 - \$Nil).

16. Segmented information:

The Township is a municipal government institution that 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:

- (a) 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.
- (b) Protection Services: includes policing, fire protection, protective inspection 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. Fire protection includes detection, extinguishing and suppression services; and prevention education and training programs. Inspection and control includes building inspection, by-law enforcement and dog control services.

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Note 16 - Segmented Information (continued)

Year ended December 31, 2016

| | General Government | Protection Services | Transportation Services | Environmental Services | Health Services | Social and Family Services | Recreation and Cultural Services | Planning and Development | Total 2016 |
|---|-----------------------|------------------------|----------------------------|---------------------------|--------------------|----------------------------------|--|-----------------------------|---------------|
| Revenues: | | | | | | | | | |
| Property taxation | \$ 281,092 | 325,829 | 552,185 | 665,543 | 83,527 | 47,706 | 319,906 | 117,165 | 2,392,953 |
| User charges | 15,753 | 36,309 | 302,037 | 1,409,298 | 14,370 | 10,662 | 116,112 | - | 1,904,541 |
| Government of Canada grants | - | - | 531,540 | - | - | - | - | - | 531,540 |
| Province of Ontario grants | 255,866 | 186,024 | 315,257 | 1,172,218 | 47,688 | 71,585 | 198,975 | 66,892 | 2,314,505 |
| Investment income | 21,201 | - | - | - | - | - | - | - | 21,201 |
| Government business enterprise | (50,424) | - | - | - | - | - | - | - | (50,424) |
| Licenses and permits | 26,148 | - | - | - | - | - | - | - | 26,148 |
| Fines and penalties | - | 26,383 | - | - | - | - | - | - | 26,383 |
| Penalties and interest on taxes and user fees | 129,921 | - | - | - | - | - | - | - | 129,921 |
| Other | 71,584 | - | - | - | - | - | - | - | 71,584 |
| | 751,141 | 574,545 | 1,701,019 | 3,247,059 | 145,585 | 129,953 | 634,993 | 184,057 | 7,368,352 |
| Expenses: | | | | | | | | | |
| Salaries, wages and benefits | 467,857 | 172,981 | 443,618 | 282,204 | 16,881 | 1,381 | 359,070 | 91,674 | 1,835,666 |
| Materials | 240,181 | 68,680 | 664,108 | 720,109 | 11,424 | 50,043 | 432,494 | 221,062 | 2,408,101 |
| Contracted services | - | 603,089 | - | 442,494 | - | - | - | - | 1,045,583 |
| External agencies | - | - | 13,448 | 10,266 | 194,113 | 68,892 | - | - | 286,719 |
| Amortization of tangible capital assets | 42,258 | 24,954 | 352,721 | 321,398 | 532 | 7,021 | 62,330 | - | 811,214 |
| | 750,296 | 869,704 | 1,473,895 | 1,776,471 | 222,950 | 127,337 | 853,894 | 312,736 | 6,387,283 |
| | \$ 845 | (295,159) | 227,124 | 1,470,588 | (77,365) | 2,616 | (218,901) | (128,679) | 981,069 |

THE CORPORATION OF THE TOWNSHIP OF CHAPLEAU

Note 16 - Segmented Information (continued)

Year ended December 31, 2016

| | General Government | Protection Services | Transportation Services | Environmental Services | Health Services | Social and Family Services | Recreation and Cultural Services | Planning and Development | Total 2015 |
|---|-----------------------|------------------------|----------------------------|---------------------------|--------------------|----------------------------------|--|-----------------------------|---------------|
| Revenues: | | | | | | | | | |
| Property taxation | \$ 288,490 | 361,071 | 606,477 | 536,306 | 82,171 | 51,946 | 330,722 | 55,946 | 2,313,129 |
| User charges | 15,455 | 35,697 | 370,972 | 1,300,889 | 10,018 | 8,697 | 120,209 | - | 1,861,937 |
| Government of Canada grants | - | - | 234,449 | - | - | - | - | - | 234,449 |
| Province of Ontario grants | 201,160 | 216,911 | 364,338 | 420,540 | 49,364 | 75,673 | 216,466 | 33,609 | 1,578,061 |
| Investment income | 91,931 | - | - | - | - | - | - | - | 91,931 |
| Government business enterprise | 18,338 | - | - | - | - | - | - | - | 18,338 |
| Licenses and permits | 16,085 | - | - | - | - | - | - | - | 16,085 |
| Fines and penalties | - | 19,607 | - | - | - | - | - | - | 19,607 |
| Penalties and interest on taxes and user fees | 119,957 | - | - | - | - | - | - | - | 119,957 |
| Other | 13,579 | - | - | - | - | - | - | - | 13,579 |
| | 764,995 | 633,286 | 1,576,236 | 2,257,735 | 141,553 | 136,316 | 667,397 | 89,555 | 6,267,073 |
| Expenses: | | | | | | | | | |
| Salaries, wages and benefits | 441,244 | 167,852 | 441,047 | 315,570 | 9,291 | 863 | 378,090 | 39,033 | 1,792,990 |
| Materials | 254,079 | 69,047 | 769,611 | 379,924 | 9,361 | 55,668 | 409,404 | 104,004 | 2,051,098 |
| Contracted services | - | 661,294 | - | 382,759 | - | - | - | - | 1,044,053 |
| External agencies | - | - | - | - | 190,903 | 69,259 | - | - | 260,162 |
| Amortization of tangible capital assets | 42,258 | 24,954 | 339,917 | 292,918 | 532 | 7,021 | 58,060 | - | 765,660 |
| | 737,581 | 923,147 | 1,550,575 | 1,371,171 | 210,087 | 132,811 | 845,554 | 143,037 | 5,913,963 |
| | \$ 27,414 | (289,861) | 25,661 | 886,564 | (68,534) | 3,505 | (178,157) | (53,482) | 353,110 |