

CONSOLIDATED FINANCIAL REPORT

**THE CORPORATION OF THE
MUNICIPALITY OF CHARLTON AND DACK**

DISTRICT OF TIMISKAMING

YEAR ENDED DECEMBER 31, 2016

INDEX

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK

	Page Number
Management's Responsibility for the Financial Statements	1
Auditors' Report	2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations	4
Consolidated Statement of Change in Net Debt	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7 - 20
Cemetery Trust Fund	
– Notice to Reader	21
– Statement of Financial Position and Statement of Continuity	22
– Notes to the Financial Statements	22

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of The Corporation of the Municipality of Charlton and Dack are the responsibility of the Municipality of Charlton and Dack'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 financial statements. The preparation of 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 Municipality of Charlton and Dack'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 financial statements. These systems are monitored and evaluated by Management.

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

The financial statements have been audited by Kemp Elliott & Blair LLP, independent external auditors appointed by the Municipality of Charlton and Dack. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality of Charlton and Dack's financial statements.



Clerk-Treasurer / Chief Administrative Officer
Dan Thibeault

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants
and Ratepayers of the Corporation
of the Municipality of Charlton and Dack:

We have audited the accompanying consolidated financial statements of the CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of operations, consolidated statement of change in net debt and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management and Council's Responsibility for the Consolidated financial statements

Management and council are 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 and council determine 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 disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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, the auditor considers 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, the consolidated financial statements present fairly, in all material respects, the financial position of the CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK as at December 31, 2016, and its operations, change in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Kemp Elliott & Blair LLP

Kemp Elliott & Blair LLP

Licensed Public Accountants
New Liskeard, Ontario
February 13, 2017

Chartered Professional Accountants

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

FINANCIAL ASSETS

	2016	2015
Cash	\$ 129,289	\$ 59,392
Short-term investments – note 4	35,394	35,179
Taxes receivable	88,758	117,113
Accounts receivable	38,974	77,173
Inventories for resale	4,507	-
Long-term receivable – tile drainage – note 5	149,018	149,088
	<u>445,940</u>	<u>437,945</u>

LIABILITIES

Accounts payable and accrued liabilities	84,607	70,039
Deferred revenue - obligatory reserve funds – note 7	39,482	2,871
Landfill closure and post-closure liability – note 8	17,490	17,490
Municipal debt – tile drainage – note 5	149,018	149,088
Municipal debt – other-- note 9	242,290	283,417
	<u>532,887</u>	<u>522,905</u>

NET DEBT (86,947) (84,960)

NON-FINANCIAL ASSETS

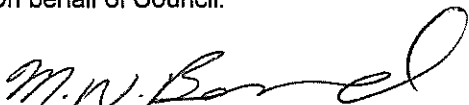
Tangible capital assets – note 16	<u>3,226,661</u>	<u>3,323,602</u>
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ACCUMULATED SURPLUS – note 11 \$ 3,139,714 \$ 3,238,642

Contingent liabilities - note 12

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

On behalf of Council:



 Reeve



 Clerk-Treasurer / Chief Administrative Officer

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 Budget (Note 10)	2016 Actual	2015 Actual
REVENUES			
Operating revenues			
Municipal taxation	\$ 557,649	\$ 568,815	\$ 545,320
Water user charges	131,138	146,607	124,815
User charges	43,700	58,655	47,733
Provincial grants	245,346	248,109	251,359
Federal grants	-	4,454	5,118
Investment income	500	847	1,869
Penalties and interest on taxes	14,000	14,399	14,634
Provincial Offences Act revenues	12,000	13,987	13,592
Sale of land	13,000	-	10,544
Loss on disposal of tangible capital assets	-	(1,444)	(42,249)
Other	4,250	20,016	31,138
	<u>1,021,583</u>	<u>1,074,445</u>	<u>1,003,873</u>
Capital revenues			
Provincial grants	25,000	25,000	90,587
Federal grants	10,000	8,018	82,121
Donation	-	10,500	-
	<u>35,000</u>	<u>43,518</u>	<u>172,708</u>
Total revenues	<u>1,056,583</u>	<u>1,117,963</u>	<u>1,176,581</u>
EXPENDITURES			
General government	251,540	254,591	233,515
Protection to persons and property	115,090	128,693	103,882
Transportation services	369,850	367,004	365,978
Environmental services	192,854	223,656	230,292
Health services	94,465	92,051	90,854
Social and family services	67,747	67,747	70,678
Recreation and cultural services	54,486	72,371	76,967
Planning and development	4,968	10,778	11,210
Total expenditures	<u>1,151,000</u>	<u>1,216,891</u>	<u>1,183,376</u>
ANNUAL DEFICIT	(94,417)	(98,928)	(6,795)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>3,238,642</u>	<u>3,238,642</u>	<u>3,245,437</u>
ACCUMULATED SURPLUS, END OF YEAR – note 11	<u>\$ 3,144,225</u>	<u>\$ 3,139,714</u>	<u>\$ 3,238,642</u>

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

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 Budget (Note 10)	2016 Actual	2015 Actual
ANNUAL DEFICIT	\$ (94,417)	\$ (98,928)	\$ (6,795)
Acquisition of tangible capital assets	(37,500)	(75,712)	(626,779)
Amortization of tangible capital assets	167,400	168,825	201,460
Proceeds from sale of tangible capital assets	13,000	2,384	140,000
Loss on sale of tangible capital assets	-	1,444	42,249
	<hr/>	<hr/>	<hr/>
Increase (decrease) in net financial assets (debt)	48,483	(1,987)	(249,865)
Net financial assets (debt), beginning of year	<hr/> (84,960)	<hr/> (84,960)	<hr/> 164,905
NET DEBT, END OF YEAR	<hr/> \$ (36,477)	<hr/> \$ (86,947)	<hr/> \$ (84,960)

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

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

OPERATIONS	2016	2015
Annual deficit	\$ (98,928)	\$ (6,795)
Charges not affecting cash –		
Amortization of tangible capital assets	168,825	201,460
Loss on sale of tangible capital assets	1,444	42,249
	<u>71,341</u>	<u>236,914</u>
Other sources (uses) of cash –		
Change in taxes receivable	28,355	(13,217)
Change in accounts receivable	38,199	25,943
Change in inventories for resale	(4,507)	-
Change in accounts payable and accrued liabilities	14,568	(18,802)
Change in deferred revenue – obligatory reserve funds	36,611	(43,021)
Change in landfill closure and post-closure	-	1,850
Change in long-term receivable – tile drainage	70	16,953
	<u>113,296</u>	<u>(30,294)</u>
Total cash provided by operations	<u>184,637</u>	<u>206,620</u>
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(75,712)	(626,779)
Proceeds from sale of tangible capital assets	2,384	140,000
Total cash used for capital transactions	<u>(73,328)</u>	<u>(486,779)</u>
INVESTING TRANSACTIONS		
Acquisition of short-term investments	(215)	-
Redemption of short-term investments	-	64,821
Total cash provided by (used for) investing transactions	<u>(215)</u>	<u>64,821</u>
FINANCING TRANSACTIONS		
Municipal debt proceeds – tile drainage	17,900	-
Municipal debt repayments – tile drainage	(17,970)	(16,953)
Municipal debt proceeds	-	288,938
Municipal debt repayments	(41,127)	(58,921)
Total cash provided by (used for) financing transactions	<u>(41,197)</u>	<u>213,064</u>
INCREASE (DECREASE) IN CASH	69,897	(2,274)
Cash, beginning of year	<u>59,392</u>	<u>61,666</u>
CASH, END OF YEAR	<u>\$ 129,289</u>	<u>\$ 59,392</u>
REPRESENTED BY		
Cash	<u>\$ 129,289</u>	<u>\$ 59,392</u>

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

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

The Corporation of the Municipality of Charlton and Dack 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 2001, Provincial Offences Act and other related legislation.

1. **Accounting policies**

The consolidated financial statements of the Corporation of the Municipality of Charlton and Dack are the representation of management and council and are prepared in accordance with generally accepted accounting principles for local government as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada as prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing.

Use of estimates

Management has made estimates and assumptions that affect the amounts reported in preparing these consolidated financial statements. Significant areas requiring the use of management estimates relate to the determination of tangible capital assets historical cost, estimated useful life and related amortization and landfill post-closure costs.

Basis of consolidation

The consolidated financial statements reflect financial assets, liabilities, operating revenues and expenditures, reserves and changes in investment in tangible capital assets of the Municipality and include the activities of all committees of Council which are:

The Corporation of the Municipality of Charlton and Dack District Cemeteries
The Corporation of the Municipality of Charlton and Dack Waterworks

All interfund assets and liabilities and sources of financing and expenditures have been eliminated.

Non-consolidated entities

The following local boards, joint local boards, municipal enterprises and utilities are not consolidated:

Timiskaming District Health Unit
District of Timiskaming Social Services Administration Board

Although these are joint local boards they run autonomously to provide those services mandated by the Province. The Municipality has no control over these programs or their financing. These joint local boards are not proportionately consolidated. The yearly requisitions of these boards are expensed by the Municipality in its statements.

Englehart and Area Fire Department

This joint local board provides fire protection services to the Municipalities of Englehart, Evanturel, Chamberlain, and Charlton and Dack. This joint local board is not proportionally consolidated as the overall impact would not be considered significant to these statements. The yearly requisition of the board is expensed by the Municipality in its statements and the Municipality's share of the accumulated surplus at the end of 2015 was \$12,840 (2016 information not available).

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

1. **Accounting policies – continued**
Non-consolidated entities – continued

Central Timiskaming Planning Board

This joint local board provides planning services to the municipalities of Englehart, Evanturel, Chamberlain and Charlton and Dack. This joint local board is not proportionally consolidated as the overall impact would not be considered significant to the statements. The yearly requisition as well as the planning fee revenues are transferred to this organization and are expensed by the Municipality in its financial statements. The Municipality's share of the accumulated surplus at the end of 2016 was \$1,479.

Timiskaming Municipal Building Association Chief Building Officer

The Timiskaming Municipal Building Association Chief Building Officer is a joint cost sharing arrangement for 21 municipalities. The operations of this board are not proportionately consolidated into these statements because the Municipality of Charlton and Dack does not have voting control of the board. Building Permit revenues are transferred to this organization.

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 these statements.

Trust funds

Trust funds and their related operation administered by the Municipality are not consolidated, but are reported separately on the Trust Funds "Statement of Continuity" and "Statement of Financial Position".

Short-term investments

Short-term investments are recorded at cost. Investment income earned on surplus funds is reported as revenue in the period earned.

Inventories for resale

Inventories held for resale, consisting of surplus land, is recorded at the lower of cost and net realizable value.

Tangible capital assets

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

Land improvements	20 - 50 years
Buildings	50 years
Equipment	10 years
Automotive equipment	10 - 25 years
Roads	10 - 30 years
Underground networks	50 years
Bridges and culverts	25 - 75 years

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

1. Accounting policies – continued

Tangible capital assets - continued

A full year of amortization is charged in the year of acquisition and no amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for use.

The Municipality has a capitalization threshold of \$10,000, so that individual capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value.

Deferred revenue – obligatory reserve funds

The Municipality receives Federal Gas Tax funding under the authority of the Federal legislation. 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.

Revenue recognition

Government transfers (provincial and federal grants)

Government transfers are transfers from senior levels of government that are not the result of an exchange transaction and are not expected to be repaid in the future. Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized. A transfer with eligibility criteria is recognized as revenue when the transfer is authorized and all eligibility criteria have been met. A transfer with or without eligibility criteria but with stipulation is recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except where and to the extent that the transfer gives rise to an obligation that meets the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

Taxation and related revenues

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes. A normal part of the assessment process is the issue of supplementary assessment rolls, which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Municipality determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded when they meet the definition of an asset, the tax is authorized and the taxable event has occurred. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the results of the appeal process are known.

The Municipality is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

Fees, service charges and other revenue

Fees, service charges and other revenue are recognized when earned.

2. Operations of school boards

Further to note 1, the taxation levied on behalf of and due to the school boards is:

	2016	2015
	<u>\$ 128,395</u>	<u>\$ 118,421</u>

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

3. **Contributions to Joint Boards**

Further to note 1, the following contributions were made by the Municipality to these boards:

	<u>2016</u>	<u>2015</u>
Timiskaming District Health Unit	\$ 25,134	\$ 25,132
District of Timiskaming Social Services Administration Board	\$ 126,032	\$ 124,992
Englehart and Area Fire Department	\$ 26,937	\$ 25,747
Central Timiskaming Planning Board	\$ 750	\$ 750

4. **Short-term investments**

	<u>2016</u>	<u>2015</u>
Guaranteed Income Certificate (GIC) with CIBC	\$ 35,394	\$ 35,179

Current year balance consists of one GIC scheduled to mature on May 24, 2017 and is earning interest at 0.55% per annum.

5. **Long-term receivable and municipal debt – tile drainage**

The Municipality is liable for long-term liabilities with respect to tile drainage loans for which the responsibility for the payment of principal and interest has been assumed by specific ratepayers. The total amount outstanding as at December 31, 2016 is \$149,018 (2015 \$149,088) and is reflected as municipal debt and long-term receivables on the "Consolidated Statement of Financial Position".

6. **Revolving line of credit**

The Municipality has a \$100,000 business operating line negotiated with CIBC with a balance outstanding of \$nil (2015 - \$nil). Interest is at bank prime plus 0.5% (currently 3.2%).

7. **Deferred revenue – obligatory reserve funds**

Deferred revenue – obligatory reserve funds consist of the following:

	<u>December 31 2015</u>	<u>Funds Received</u>	<u>Revenue Earned</u>	<u>December 31 2016</u>
Federal Gas Tax	\$ 2,871	\$ 40,879	\$ 4,268	\$ 39,482

8. **Landfill closure and post-closure liability**

These obligations relate to the recognition of closure and post-closure costs. The Municipality's estimated liability for these expenses is recognized as the landfill site's capacity is used. The reported liability represents the portion of the estimated total expenses recognized as at December 31, 2016. The liability and annual expense is calculated based on the ratio of current usage to the total capacity of the site and the discounted estimated future cash flows associated with closure and post-closure activities. The yearly increase in the estimated liability is designed to ensure that the total estimated costs of closure and post-closure activities are reflected as an obligation at the time of closure of the landfill site. The costs and life expectancy were last reviewed in a study done in 2006. At that time the landfill site was expected to reach capacity in approximately 2031 and have closure and post-closure costs estimated at \$50,000.

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

9. Municipal debt

The balance of the municipal debt reported on the "Consolidated Statement of Financial Position" consists of the following loans:

	<u>2016</u>	<u>2015</u>
Term loan with CIBC, payable in monthly installments of \$3,427 plus interest at the bank's prime lending rate plus 0.5% (currently 3.2%) final installment due October 2022. The debt relates to the purchase of a backhoe and a grader.	\$ 242,290	\$ 283,417

Principal payments are due as follows:

2017	\$ 41,127
2018	41,127
2019	41,127
2020	41,127
2021	41,127
2022 +	<u>36,655</u>
	<u>\$ 242,290</u>

The debt is to be repaid from general municipal revenues. Total interest paid on the loans in 2016 was \$7,652 (2015 \$1,850).

10. Budget

The Budget adopted by Council was not prepared on a basis consistent with that used to report actual result according to Public Sector Accounting Standards used on the Consolidated Statement of Operations on page 4. The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The actual budget is reflected in note 18. It expenses all tangible capital expenditures, does not include amortization expense, reflects proceeds of long-term debt as a revenue, principal repayments of long-term debt as an expense and the full proceeds from the sale of tangible capital assets as a revenue. As a result, the budget figures presented in the consolidated statements of operations and change in net financial assets represent the financial plan adopted by Council with adjustments as follows:

	<u>2016</u>
Actual budget deficit for the year – note 18	\$ (5,644)
Add: Investment in tangible capital assets	37,500
Long-term debt repayments	41,127
Less: Estimated amortization	<u>(167,400)</u>
Budget deficit per statement of operations – page 4	<u>\$ (94,417)</u>

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

11. Accumulated surplus

Reserves represent an appropriation of surplus for a specific purpose, determined by council, are non-statutory and subject to change by council at any time.

	2016	2015
Reserves and deficits		
Working capital reserve	\$ 230,896	\$ 228,704
Cemetery reserve	35,524	35,324
Heritage Centre reserve	908	908
Clarksville water reserve	1,971	772
Bradley Subdivision water operational deficit	(9,284)	(9,903)
Charlton water operational deficit	(73,538)	(57,348)
	<u>186,477</u>	<u>198,457</u>
Amounts to be recovered		
Unfinanced municipal debt	(242,290)	(283,417)
Unfinanced tangible capital assets	(31,134)	-
	<u>(273,424)</u>	<u>(283,417)</u>
Net debt	(86,947)	(84,960)
Non-financial assets		
Invested in tangible capital assets	<u>3,226,661</u>	<u>3,323,602</u>
Accumulated surplus	<u>\$ 3,139,714</u>	<u>\$ 3,238,642</u>

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 change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

12. Contingent liabilities

Non-consolidated Entities

The Municipality is contingently liable for the deficits and long-term debt of the non-consolidated entities.

Post-employment benefits

Municipal employees retiring do not receive any retirement allowance that either vests or accrues over the period of employment. Sick benefits do not accrue and are not vested. The Municipality recognizes the expense for sick time when the event obliges the Municipality to pay. No other post-employment benefits are payable by the Municipality.

Ontario Municipal Employees Retirement Fund

All permanent, full-time employees of the Municipality are eligible to be members of the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay.

As this is a multi-employer pension plan, the contributions by the Municipality are recognized as an expenditure. No pension liability for this type of plan is recognized in the Municipality's consolidated financial statements. Contributions made by the Municipality to OMERS for 2016 were \$18,622 (2015 - \$17,236). The plan had an actuarial deficit of \$7 billion at the end of 2015.

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

12. **Contingent liabilities - continued**

Funding agreements

Under the terms of various funding agreements, the Municipality could have provincial and federal grants become repayable if it is determined that funding was applied towards ineligible costs or if other terms of the agreements were not met. At year end management is of the opinion that all conditions have been met and funding was applied towards eligible costs.

13. **Cemetery donation**

In 2002 a donation from the estate of David Russell Basil for \$46,695 was received. These funds are to be used for cemetery related costs only and have been placed in a reserve for that purpose. Interest is credited to the reserve and specific cemetery related expenses are paid out by the reserve. The reserve balance at December 31, 2016 is \$35,524 (2015 \$35,324).

14. **Trust Funds**

Trust funds administered by the Municipality amounting to \$44,413 (2015 \$36,068) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Operations".

15. **Segmented information**

The Corporation of the Municipality of Charlton and Dack is a diversified municipal government institution that provides a wide range of services to its citizens, including General Government Services, Protection Services, Transportation Services, Environmental Services, Health Services, Social and Family Services, Recreational and Cultural Services and Planning and Development Services. Service areas were created for the purpose of recording specific activities to attain certain objectives in accordance with regulations, restrictions or limitations.

Municipal services are provided by departments and their activities are reported in these service areas. Departments disclosed in the Segmented Information, along with the services they provide, are as follows:

General Government Services

General government services consists of departments that are responsible for adopting bylaws, adopting administrative policy, levying taxes; acquiring, disposing and managing municipal assets, ensuring effective financial management, monitoring performance and ensuring that high quality municipal service standards are met.

Protection Services

Protection services consists of departments that are responsible for the enforcement of laws, prevention of crime, and maintenance of peace, order, and security by protecting life, property and the environment through the provision of emergency response, thus ensuring safe homes and safe communities.

Transportation Services

Transportation services consists of departments that are responsible for the delivery of municipal public works services related to planning, design, construction, cleaning, repair, snow removal and signage of roadway systems.

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

15. **Segmented information – continued**

Environmental Services

Environmental services include water services as well as garbage and recycling services.

Health Services

The Municipality funds a range of public health services through the Timiskaming Health Unit and provides ambulance services through the District Social Services Administration Board. The Municipality also provides cemetery services.

Social and Family Services

The Municipality funds a range of family and social services through the District Social Services Administration Board which includes social housing, childcare and general assistance.

Recreation and Cultural Services

Recreation and cultural services consists of departments that are responsible for providing, facilitating the development of, and maintaining high quality parks, recreational facilities, and cultural services.

Planning and Development Services

Planning and development services consists of departments that are responsible for preparing land use plans, bylaws and policies for sustainable development of the Municipality and for reviewing and approving new development.

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

	15. Segmented information – continued										Total 2015	
	General Government Services	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development Services	Total 2016	Total 2015		
Revenues												
Operating revenues												
Municipal taxation	\$ 568,815	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 568,815
Water user charges	-	-	-	146,607	-	-	-	-	-	-	-	146,607
User charges	5,650	13,380	7,148	23,298	4,709	-	4,470	-	-	-	-	58,655
Provincial grants	243,800	-	-	-	-	-	1,446	2,863	-	-	-	248,109
Federal grants	-	-	-	-	-	-	2,500	1,954	-	-	-	4,454
Investment income	-	-	-	-	847	-	-	-	-	-	-	847
Penalties and interest on taxes	14,399	-	-	-	-	-	-	-	-	-	-	14,399
Provincial Offences Act revenues	-	13,987	-	-	-	-	-	-	-	-	-	13,987
Sale of land	-	-	-	-	-	-	-	-	-	-	-	-
Loss on disposal of tangible capital assets	(1,444)	-	-	-	-	-	-	-	-	-	-	(1,444)
Other	1,409	-	-	2,235	-	-	14,372	2,000	-	-	-	20,016
	<u>832,629</u>	<u>27,367</u>	<u>7,148</u>	<u>172,140</u>	<u>5,556</u>	<u>-</u>	<u>22,788</u>	<u>6,817</u>	<u>1,074,445</u>	<u>1,003,873</u>	<u>-</u>	
Capital revenues												
Provincial grants	-	-	25,000	-	-	-	-	-	-	-	-	25,000
Federal grants	-	-	4,268	-	-	-	3,750	-	-	-	-	8,018
Donation	-	-	-	-	-	-	10,500	-	-	-	-	10,500
	<u>-</u>	<u>-</u>	<u>29,268</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,250</u>	<u>-</u>	<u>43,518</u>	<u>172,708</u>	<u>-</u>	
Total revenues	<u>832,629</u>	<u>27,367</u>	<u>36,416</u>	<u>172,140</u>	<u>5,556</u>	<u>-</u>	<u>37,038</u>	<u>6,817</u>	<u>1,117,963</u>	<u>1,176,581</u>	<u>-</u>	
Expenditures												
Wages and benefits	133,364	-	134,403	12,301	-	-	-	-	-	-	-	280,068
Long-term debt interest	-	-	8,487	-	-	-	-	-	-	-	-	8,487
Materials	20,978	-	108,891	52,404	8,213	-	37,573	9,467	-	-	-	237,526
Contracted services	88,075	46,916	17,225	109,004	-	-	14,186	365	-	-	-	275,771
Rents and financial expenses	8,861	-	-	4,410	-	-	-	-	-	-	-	13,271
External transfers	-	81,777	-	-	83,419	67,747	-	-	-	-	-	232,943
Amortization	3,313	-	97,998	45,537	419	-	20,612	946	-	-	-	168,825
	<u>254,591</u>	<u>128,693</u>	<u>367,004</u>	<u>223,656</u>	<u>92,051</u>	<u>67,747</u>	<u>72,371</u>	<u>10,778</u>	<u>1,216,891</u>	<u>1,183,376</u>	<u>-</u>	
Annual surplus (deficit)	\$ 578,038	\$ (101,326)	\$ (330,588)	\$ (51,516)	\$ (86,495)	\$ (67,747)	\$ (35,333)	\$ (3,961)	\$ (98,928)	\$ (6,795)	\$ (6,795)	

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016									
	Opening Cost Dec 31, 2015	Additions	Disposals	Ending Cost Dec 31, 2016	Opening Accumulated Amortization Dec 31, 2015	Current Amortization Dec 31, 2016	Ending Accumulated Amortization Dec 31, 2016	Net Assets Dec 31, 2016		
16. Schedule of tangible capital assets										
General										
Land	\$ 27,309	\$ -	\$ 3,828	\$ 23,481	\$ -	\$ -	\$ -	\$ 23,481		
Land improvements	49,720	-	-	49,720	15,454	1,598	17,052	32,668		
Buildings	1,513,266	-	-	1,513,266	656,559	32,808	689,367	823,899		
Automotive equipment	681,082	31,134	-	712,216	112,447	34,563	147,010	565,206		
Equipment	1,485,620	15,310	-	1,500,930	1,419,496	19,047	1,438,543	62,387		
Infrastructure										
Roads	690,628	29,268	-	719,896	217,594	28,374	245,968	473,928		
Water distribution lines	997,629	-	-	997,629	581,457	19,953	601,410	396,219		
Bridges and culverts	1,758,018	-	-	1,758,018	895,843	31,536	927,379	830,639		
Municipal drains	47,342	-	-	47,342	28,162	946	29,108	18,234		
Total	\$ 7,250,614	\$ 75,712	\$ 3,828	\$ 7,322,498	\$ 3,927,012	\$ 168,825	\$ 4,095,837	\$ 3,226,661		

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

16. Schedule of tangible capital assets – continued

	2015									
	Opening Cost Dec 31, 2014	Additions	Disposals	Ending Cost Dec 31, 2015	Opening Accumulated Amortization Dec 31, 2014	Accumulated Amortization on Disposals	Current Amortization	Ending Accumulated Amortization	Net Assets	
									Dec 31, 2015	Dec 31, 2015
General										
Land	\$ 19,434	\$ 7,875	\$ -	\$ 27,309	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,309
Land improvements	49,720	-	-	49,720	13,857	-	1,597	15,454	15,454	34,266
Buildings	1,513,266	-	-	1,513,266	623,750	-	32,809	656,559	656,559	856,707
Automotive equipment	564,498	445,930	329,346	681,082	224,981	147,097	34,563	112,447	112,447	568,635
Equipment	1,485,620	-	-	1,485,620	1,366,638	-	52,858	1,419,496	1,419,496	66,124
Infrastructure										
Roads	590,522	100,106	-	690,628	190,397	-	27,197	217,594	217,594	473,034
Water distribution lines	997,629	-	-	997,629	561,504	-	19,953	581,457	581,457	416,172
Bridges and culverts	1,685,150	72,868	-	1,758,018	864,307	-	31,536	895,843	895,843	862,175
Municipal drains	47,342	-	-	47,342	27,215	-	947	28,162	28,162	19,180
Total	\$ 6,953,181	\$ 626,779	\$ 329,346	\$ 7,250,614	\$ 3,872,649	\$ 147,097	\$ 201,460	\$ 3,927,012	\$ 3,927,012	\$ 3,323,602

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

17. CHARLTON AND DACK WATERWORKS

Charlton Waterworks

	<u>2016</u>	<u>2015</u>
REVENUE		
Water service charges and other water revenue	\$ 120,209	\$ 109,440
EXPENDITURES		
Wages	2,050	1,530
Water transmission, distribution and repair	129,939	113,001
Bad debt expense	4,410	-
	<u>136,399</u>	<u>114,531</u>
Annual deficit	(16,190)	(5,091)
Accumulated deficit, beginning of year	<u>(57,348)</u>	<u>(52,257)</u>
Accumulated deficit, end of year	<u>\$ (73,538)</u>	<u>\$ (57,348)</u>

Bradley Subdivision Waterworks

	<u>2016</u>	<u>2015</u>
REVENUE		
Water service charges and other water revenue	\$ 16,016	\$ 9,200
EXPENDITURES		
Wages	865	120
Water transmission, distribution and repair	14,532	8,391
	<u>15,397</u>	<u>8,511</u>
Annual surplus	619	689
Accumulated deficit, beginning of year	<u>(9,903)</u>	<u>(10,592)</u>
Accumulated deficit, end of year	<u>\$ (9,284)</u>	<u>\$ (9,903)</u>

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

17. **CHARLTON AND DACK WATERWORKS - continued**

Clarksville Waterworks

	<u>2016</u>	<u>2015</u>
REVENUE		
Water service charges and other water revenue	\$ 11,732	\$ 6,175
 EXPENDITURES		
Wages	180	390
Water transmission, distribution and repair	<u>10,353</u>	<u>6,642</u>
	<u>10,533</u>	<u>7,032</u>
 Annual surplus (deficit) – transferred to (from) reserve	1,199	(857)
 Reserve, beginning of year	<u>772</u>	<u>1,629</u>
 Reserve, end of year	<u>\$ 1,971</u>	<u>\$ 772</u>

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

18. Budgeting

The Municipality budgets to determine an appropriate tax rate based on all budgeted revenues and expenditures.

The consolidated statement of operations on page 4 has been modified here to exclude amortization and to include tangible capital asset expenditures and the principal repayments on long-term debt.

This modified statement of operations (budget based) is consistent with the budget format used and is presented here with the 2016 budget.

REVENUES	2016 Budget	2016 Actual	2015 Actual
Operating revenues			
Municipal taxation	\$ 557,649	\$ 568,814	\$ 545,320
Water user charges	131,138	146,607	124,815
User charges	43,700	58,655	47,733
Provincial grants	245,346	248,109	251,359
Federal grants	-	4,454	5,118
Investment income	500	847	1,869
Penalties and interest on taxes	14,000	14,399	14,634
Provincial Offences Act revenues	12,000	13,987	13,592
Sale of land	13,000	2,384	10,544
Other	4,250	20,016	31,138
	<u>1,021,583</u>	<u>1,078,272</u>	<u>1,046,122</u>
Capital revenues			
Provincial grants	25,000	25,000	90,587
Federal grants	10,000	8,018	82,121
Donations	-	10,500	-
Proceeds from long-term debt	-	-	288,938
Proceeds from sale of tangible capital assets	-	-	140,000
	<u>35,000</u>	<u>43,518</u>	<u>601,646</u>
Total revenues	<u>1,056,583</u>	<u>1,121,790</u>	<u>1,647,768</u>
EXPENDITURES			
Operating expenditures			
General government	248,240	251,277	230,201
Protection to persons and property	115,090	128,693	103,882
Transportation services	272,050	269,006	268,211
Environmental services	147,355	178,119	150,004
Health services	94,065	91,632	90,435
Social and family services	67,747	67,747	70,678
Recreation and cultural services	34,986	51,759	57,295
Planning and development	4,067	9,832	11,210
	<u>983,600</u>	<u>1,048,065</u>	<u>981,916</u>
Capital expenditures	37,500	75,712	626,779
Debt principal repayments	41,127	41,127	58,921
Total expenditures	<u>1,062,227</u>	<u>1,164,904</u>	<u>1,667,616</u>
Deficit - full budget base	<u>\$ (5,644)</u>	<u>\$ (43,114)</u>	<u>\$ (19,848)</u>

NOTICE TO READER

To the Members of Council, Inhabitants
and Ratepayers of the Corporation
of the MUNICIPALITY OF CHARLTON AND DACK:

On the basis of information provided by management, we have compiled the statement of financial position of the CEMETERY TRUST FUND of the CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK as at December 31, 2016 and the statement of continuity for the year then ended.

We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

KEMP ELLIOTT & BLAIR LLP

Kemp Elliott & Blair LLP

Licensed Public Accountants
New Liskeard, Ontario
February 13, 2017

Chartered Professional Accountants

(Unaudited – See Notice to Reader)

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK**CHARLTON AND DACK DISTRICT CEMETERIES****PERPETUAL CARE TRUST FUND****STATEMENT OF FINANCIAL POSITION****AS AT DECEMBER 31, 2016**

FINANCIAL ASSETS	<u>2016</u>	<u>2015</u>
Due from the Corporation of the Municipality of Charlton and Dack	\$ 10,476	\$ 2,732
Short-term deposits	<u>33,937</u>	<u>33,336</u>
	\$ 44,413	\$ 36,068
 LIABILITIES		
Perpetual care fund	\$ 44,413	\$ 36,068

STATEMENT OF CONTINUITY**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 36,068	\$ 35,098
Perpetual Care receipts – note 2		
re: sale of plots, headstone maintenance	1,290	970
Transfer from Public Guardian – Brentha Cemetery – note 3	<u>7,055</u>	<u>-</u>
Balance, end of year	\$ 44,413	\$ 36,068

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting Policies**

Accounting is on a cash basis

Interest earned by the fund each year is transferred to the revenue fund of the Corporation of the Municipality of Charlton and Dack and is not reported in the Cemetery Trust Funds statements.

2. Perpetual Care Receipts

The perpetual care fund reflects only receipts held and maintained by the Municipality which looks after the Charlton, St. Stephen and Brentha cemeteries.

3. Brentha Cemetery

During the year the funds held by the Public Trustee for the Brentha cemetery were transferred back to the Municipality.