

CONSOLIDATED FINANCIAL REPORT

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

DISTRICT OF TIMISKAMING

YEAR ENDED DECEMBER 31, 2017

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THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK

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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, 2017, 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, 2017, 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
May 28, 2018

Chartered Professional Accountants

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

FINANCIAL ASSETS

	2017	2016
Cash	\$ -	\$ 129,289
Short-term investments – note 4	77,359	35,394
Taxes receivable	144,228	88,758
Accounts receivable	291,778	38,974
Inventories for resale	-	4,507
Long-term receivable – tile drainage – note 5	147,712	149,018
	<u>661,077</u>	<u>445,940</u>

LIABILITIES

Bank indebtedness – note 6	75,737	-
Accounts payable and accrued liabilities	291,153	84,606
Deferred revenue - obligatory reserve funds – note 7	20,777	39,482
Landfill closure and post-closure liability – note 8	17,490	17,490
Municipal debt – tile drainage – note 5	147,712	149,018
Municipal debt – other– note 9	251,137	242,290
	<u>804,006</u>	<u>532,886</u>

NET DEBT

(142,929) (86,946)

NON-FINANCIAL ASSETS

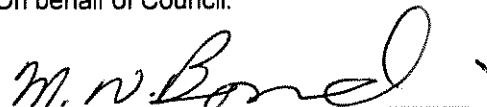
Tangible capital assets – note 17	4,322,620	3,226,661
Inventories of supplies	7,375	8,254
	<u>4,329,995</u>	<u>3,234,915</u>

ACCUMULATED SURPLUS – note 12 **\$ 4,187,066** **\$ 3,147,969**

Contingent liabilities - note 13

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, 2017

	2017 Budget (Note 10)	2017 Actual	2016 Actual
REVENUES			
Operating revenues			
Municipal taxation	\$ 589,653	\$ 593,282	\$ 568,815
Water user charges	163,989	166,132	146,607
User charges	29,925	43,777	58,655
Provincial grants	245,346	252,921	248,109
Federal grants	2,300	6,476	4,454
Investment income	500	-	847
Penalties and interest on taxes	14,000	15,637	14,399
Provincial Offences Act revenues	14,000	10,606	13,987
Loss on disposal of tangible capital assets	-	(81,940)	(1,444)
Other	39,100	25,856	20,016
	<u>1,098,813</u>	<u>1,032,747</u>	<u>1,074,445</u>
Capital revenues			
Provincial grants	1,183,070	1,121,397	25,000
Federal grants	136,500	92,779	8,018
Donations	-	17,500	10,500
	<u>1,319,570</u>	<u>1,231,676</u>	<u>43,518</u>
Total revenues	<u>2,418,383</u>	<u>2,264,423</u>	<u>1,117,963</u>
EXPENDITURES			
General government	251,399	256,971	254,591
Protection to persons and property	124,587	130,824	128,693
Transportation services	369,937	375,471	367,004
Environmental services	224,260	225,018	223,656
Health services	92,271	84,321	92,051
Social and family services	68,787	68,788	67,747
Recreation and cultural services	70,646	69,751	72,371
Planning and development	4,875	14,182	10,778
Total expenditures	<u>1,206,762</u>	<u>1,225,326</u>	<u>1,216,891</u>
ANNUAL SURPLUS (DEFICIT)	1,211,621	1,039,097	(98,928)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>3,147,969</u>	<u>3,147,969</u>	<u>3,246,897</u>
ACCUMULATED SURPLUS, END OF YEAR – note 12	<u>\$ 4,359,590</u>	<u>\$ 4,187,066</u>	<u>\$ 3,147,969</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, 2017

	2017 Budget (Note 10)	2017 Actual	2016 Actual
ANNUAL SURPLUS (DEFICIT)	\$ 1,211,621	\$ 1,039,097	\$ (98,928)
Acquisition of tangible capital assets	(1,446,480)	(1,395,433)	(75,712)
Amortization of tangible capital assets	168,600	186,187	168,825
Consumption of inventories of supplies	-	878	-
Proceeds from sale of tangible capital assets	-	31,348	2,384
Loss on sale of tangible capital assets	-	81,940	1,444
Increase in net debt	(66,259)	(55,983)	(1,987)
Net debt, beginning of year	(86,946)	(86,946)	(84,959)
NET DEBT, END OF YEAR	\$ (153,205)	\$ (142,929)	\$ (86,946)

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, 2017

OPERATIONS	<u>2017</u>	<u>2016</u>
Annual surplus (deficit)	\$ 1,039,097	\$ (98,928)
Charges not affecting cash –		
Amortization of tangible capital assets	186,187	168,825
Loss on sale of tangible capital assets	<u>81,940</u>	<u>1,444</u>
	<u>1,307,224</u>	<u>71,341</u>
Other sources (uses) of cash –		
Change in taxes receivable	(55,470)	28,355
Change in accounts receivable	(252,804)	38,199
Change in inventories for resale	4,507	(4,507)
Change in long-term receivable – tile drainage	1,306	70
Change in accounts payable and accrued liabilities	206,547	14,568
Change in deferred revenue – obligatory reserve funds	(18,705)	36,611
Change in inventories of supplies	<u>878</u>	<u>-</u>
	<u>(113,741)</u>	<u>113,296</u>
Total cash provided by operations	<u>1,193,483</u>	<u>184,637</u>
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(1,395,433)	(75,712)
Proceeds from sale of tangible capital assets	<u>31,348</u>	<u>2,384</u>
Total cash used for capital transactions	<u>(1,364,085)</u>	<u>(73,328)</u>
INVESTING TRANSACTIONS		
Acquisition of short-term investments	<u>(41,965)</u>	<u>(215)</u>
FINANCING TRANSACTIONS		
Municipal debt proceeds – tile drainage	19,100	17,900
Municipal debt repayments – tile drainage	(20,406)	(17,970)
Municipal debt proceeds – other	59,970	-
Municipal debt repayments – other	<u>(51,123)</u>	<u>(41,127)</u>
Total cash provided by (used for) financing transactions	<u>7,541</u>	<u>(41,197)</u>
INCREASE (DECREASE) IN CASH	<u>(205,026)</u>	<u>69,897</u>
Cash, beginning of year	<u>129,289</u>	<u>59,392</u>
CASH (BANK INDEBTEDNESS), END OF YEAR	<u>\$ (75,737)</u>	<u>\$ 129,289</u>
REPRESENTED BY		
Cash, (bank indebtedness)	<u>\$ (75,737)</u>	<u>\$ 129,289</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, 2017

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 2016 was \$10,323 (2017 information not available).

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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

Central Timiskaming Planning Board

This joint local board provides planning services to the municipalities of Englehart, Ewanturel, 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 2017 was \$2,592.

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 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.

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

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.

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

1. Accounting policies – continued

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.

Inventories of supplies

Inventories of supplies held for consumption are recorded at lower of cost or replacement cost.

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:

	<u>2017</u>	<u>2016</u>
	<u>\$ 123,895</u>	<u>\$ 128,395</u>

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

3. Contributions to Joint Boards

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

	<u>2017</u>	<u>2016</u>
Timiskaming District Health Unit	\$ 17,735	\$ 25,134
District of Timiskaming Social Services Administration Board	\$ 128,335	\$ 126,032
Englehart and Area Fire Department	\$ 28,832	\$ 26,937
Central Timiskaming Planning Board	\$ 750	\$ 750

4. Short-term investments

	<u>2017</u>	<u>2016</u>
Guaranteed Income Certificates (GICs) with CIBC	\$ 77,359	\$ 35,394

Current year balance consists of two GICs scheduled to mature May 24, 2018 and June 27, 2018 and are earning interest at 0.9% 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, 2017 is \$147,712 (2016 \$149,018) and is reflected as municipal debt and long-term receivables on the "Consolidated Statement of Financial Position".

6. Bank indebtedness

The Municipality has a \$100,000 business operating line negotiated with CIBC with a balance outstanding of \$75,737 (2016 - \$nil). Interest is at bank prime plus 0.5% (currently 3.7%).

7. Deferred revenue – obligatory reserve funds

Deferred revenue – obligatory reserve funds consist of the following:

	<u>December 31 2016</u>	<u>Funds Received</u>	<u>Revenue Earned</u>	<u>December 31 2017</u>
Federal Gas Tax	\$ 39,482	\$ 41,909	\$ 60,614	\$ 20,777

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, 2017. 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, 2017

9. Municipal debt

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

	<u>2017</u>	<u>2016</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 3.7%) final installment due October 2022. The debt relates to the purchase of a backhoe and a grader.	\$ 201,162	\$ 242,290
Term loan with CIBC, payable in monthly installments of \$999 plus interest at the bank's prime lending rate plus 0.5% (currently 3.7%) final installment due February 2022. The debt relates to the purchase of new roads equipment.	<u>49,975</u>	<u>-</u>
	<u>\$ 251,137</u>	<u>\$ 242,290</u>

Principal payments are due as follows:

2018	\$ 53,121
2019	53,121
2020	53,121
2021	53,121
2022	<u>38,653</u>
	<u>\$ 251,137</u>

The debt is to be repaid from general municipal revenues. Total interest paid on the loans in 2017 was \$7,516 (2016 \$7,652).

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 19. 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>2017</u>
Actual budget deficit for the year – note 19	\$ (117,380)
Add: Investment in tangible capital assets	1,446,479
Long-term debt repayments	51,122
Less: Estimated amortization	<u>(168,600)</u>
Budget surplus per statement of operations – page 4	<u>\$ 1,211,621</u>

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

11. Correction of prior period

The Township has inventory of supplies which had not previously been reported. This error was discovered in the current year and has been corrected retroactively. As a result, the December 31, 2016 figures, presented for comparative purposes, have been restated from those previously reported as follows:

	As previously reported	Increase (decrease)	As restated
Statement of Financial Position			
Inventories of supplies	\$ -	\$ 8,254	\$ 8,254
Non-financial assets	3,226,661	8,254	3,234,915
Statement of Operations			
Accumulated surplus, beginning of year	3,238,643	8,254	3,246,897

12. 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.

	2017	2016
Reserves and deficits		
Working capital reserve	\$ 245,112	\$ 230,897
Cemetery reserve	35,734	35,524
Heritage Centre reserve	908	908
Clarksville water reserve	4,530	1,971
Bradley Subdivision water operational deficit	(9,526)	(9,284)
Charlton water operational deficit	(78,135)	(73,538)
	<u>198,623</u>	<u>186,478</u>
Amounts to be recovered		
Unfinanced municipal debt	(251,137)	(242,290)
Unfinanced capital expenditures	(90,415)	(31,134)
	<u>(341,552)</u>	<u>(273,424)</u>
Net debt	<u>(142,929)</u>	<u>(86,946)</u>
Non-financial assets		
Invested in tangible capital assets	4,322,620	3,226,661
Inventories of supplies	7,375	8,254
	<u>4,329,995</u>	<u>3,234,915</u>
Accumulated surplus	<u>\$ 4,187,066</u>	<u>\$ 3,147,969</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.

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

13. **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 2017 were \$19,450 (2016 - \$18,622). The plan had an actuarial deficit of \$5.7 billion at the end of 2016.

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.

14. **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, 2017 is \$35,734 (2016 \$35,524).

15. **Trust Funds**

Trust funds administered by the Municipality amounting to \$45,483 (2016 \$44,413) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Operations".

16. **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:

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

16 **Segmented information – continued**

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.

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, 2017**

		General Government Services							Recreation and Cultural Services	Planning and Development Services	Total 2017	Total 2016
		Government Services	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development Services	Total 2017	Total 2016	
Revenues												
Operating revenues												
Municipal taxation	\$ 593,282	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 593,282	\$ 568,815	
Water user charges	-	-	-	166,132	-	-	-	-	-	166,132	146,607	
User charges	4,205	8,420	4,140	14,740	3,100	-	-	-	9,172	43,777	58,655	
Provincial grants	243,800	266	-	-	-	-	-	4,425	4,430	252,921	248,109	
Federal grants	-	-	-	-	-	-	-	2,700	3,776	6,476	4,454	
Investment income	-	-	-	-	-	-	-	-	-	-	847	
Penalties and interest on taxes	15,637	-	-	-	-	-	-	-	-	15,637	14,399	
Provincial Offences Act revenues	-	10,606	-	-	-	-	-	-	-	10,606	13,987	
Loss on disposal of tangible capital assets	-	-	(80,900)	-	-	-	-	(1,040)	-	(81,940)	(1,444)	
Other	722	-	-	7,964	-	-	-	15,170	2,000	25,856	20,016	
	<u>857,646</u>	<u>19,292</u>	<u>(76,760)</u>	<u>188,836</u>	<u>3,100</u>	<u>-</u>	<u>-</u>	<u>21,255</u>	<u>19,378</u>	<u>1,032,747</u>	<u>1,074,445</u>	
Capital revenues												
Provincial grants	-	-	-	1,121,397	-	-	-	-	-	1,121,397	25,000	
Federal grants	-	-	35,615	25,664	-	-	-	31,500	-	92,779	8,018	
Donation	-	-	-	-	-	-	-	17,500	-	17,500	10,500	
	<u>-</u>	<u>-</u>	<u>35,615</u>	<u>1,147,061</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,000</u>	<u>-</u>	<u>1,231,676</u>	<u>43,518</u>	
Total revenues	<u>857,646</u>	<u>19,292</u>	<u>(41,145)</u>	<u>1,335,897</u>	<u>3,100</u>	<u>-</u>	<u>-</u>	<u>70,255</u>	<u>19,378</u>	<u>2,264,423</u>	<u>1,117,963</u>	
Expenditures												
Wages and benefits	137,359	-	136,255	12,119	-	-	-	3,374	-	289,107	280,068	
Long-term debt interest	-	-	8,981	-	-	-	-	-	-	8,981	8,487	
Materials	23,778	-	106,784	33,567	6,620	-	-	40,721	13,236	224,706	237,526	
Contracted services	82,830	42,736	11,689	132,615	-	-	-	1,446	-	271,316	275,771	
Rents and financial expenses	9,691	-	-	1,180	-	-	-	-	-	10,871	13,271	
External transfers	-	88,088	-	-	77,282	-	68,788	-	-	234,158	232,943	
Amortization	3,313	-	111,762	45,537	419	-	-	24,210	946	186,187	168,825	
Total expenditures	<u>256,971</u>	<u>130,824</u>	<u>375,471</u>	<u>225,018</u>	<u>84,321</u>	<u>-</u>	<u>68,788</u>	<u>69,751</u>	<u>14,182</u>	<u>1,225,326</u>	<u>1,216,891</u>	
Annual surplus (deficit)	<u>\$ 600,675</u>	<u>\$ (111,532)</u>	<u>\$ (416,616)</u>	<u>\$ 1,110,879</u>	<u>\$ (81,221)</u>	<u>\$ (68,788)</u>	<u>\$ 504</u>	<u>\$ 5,196</u>	<u>\$ 1,039,097</u>	<u>\$ (98,928)</u>		

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017									
	Opening Cost Dec. 31, 2016	Additions	Disposals	Ending Cost Dec 31, 2017	Opening Accumulated Amortization Dec 31, 2016	Disposals	Accumulated Amortization on Dec 31, 2017	Current Amortization	Ending Accumulated Amortization Dec 31, 2017	Net Assets Dec 31, 2017
General										
Land	\$ 23,481	\$ -	\$ -	\$ 23,481	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,481
Land improvements	49,720	-	-	49,720	17,052	-	-	1,598	18,650	31,070
Buildings	1,513,266	-	-	1,513,266	689,367	-	-	32,808	722,175	791,091
Automotive equipment	712,216	65,922	176,814	601,324	147,010	64,914	64,914	46,902	128,998	472,326
Equipment	1,500,930	49,894	38,656	1,512,168	1,438,543	37,269	37,269	22,645	1,423,919	88,249
Construction in progress	-	57,855	-	57,855	-	-	-	-	-	57,855
Infrastructure										
Roads	719,896	35,615	-	755,511	245,968	-	-	29,799	275,767	479,744
Water distribution lines	997,629	-	-	997,629	601,410	-	-	19,953	621,363	376,266
Bridges and culverts	1,758,018	-	-	1,758,018	927,379	-	-	31,536	958,915	799,103
Municipal drains	47,342	-	-	47,342	29,108	-	-	946	30,054	17,288
Construction in progress	-	1,186,147	-	1,186,147	-	-	-	-	-	1,186,147
Total	\$7,322,498	\$ 1,395,433	\$ 215,470	\$ 8,502,461	\$ 4,095,837	\$ 102,183	\$ 4,179,841	\$ 186,187	\$ 4,322,620	\$ 4,322,620

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

17. **Schedule of tangible capital assets – continued**

	2016									
	Opening Cost Dec.31, 2015	Additions	Disposals	Ending Cost Dec.31, 2016	Opening Accumulated Amortization Dec.31, 2015	Amortization	Current Amortization	Ending Accumulated Amortization Dec.31, 2016	Net Assets Dec.31, 2016	
General										
Land	\$ 27,309	\$ -	\$ 3,828	\$ 23,481	\$ -	\$ -	\$ -	\$ -	\$ 23,481	
Land improvements	49,720	-	-	49,720	15,454	1,598	17,052	32,668	32,668	
Buildings	1,513,266	-	-	1,513,266	656,559	32,808	689,367	823,899	823,899	
Automotive equipment	681,082	31,134	-	712,216	112,447	34,563	147,010	565,206	565,206	
Equipment	1,485,620	15,310	-	1,500,930	1,419,496	19,047	1,438,543	62,387	62,387	
Infrastructure										
Roads	690,628	29,268	-	719,896	217,594	28,374	245,968	473,928	473,928	
Water distribution lines	997,629	-	-	997,629	581,457	19,953	601,410	396,219	396,219	
Bridges and culverts	1,758,018	-	-	1,758,018	895,843	31,536	927,379	830,639	830,639	
Municipal drains	47,342	-	-	47,342	28,162	946	29,108	18,234	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, 2017

18. **CHARLTON AND DACK WATERWORKS****Charlton Waterworks**

	2017	2016
REVENUE		
Water service charges and other water revenue	\$ 128,986	\$ 120,209
Provincial grants – capital	25,665	-
Federal grants – capital	25,665	-
	180,316	120,209
EXPENDITURES		
Wages	2,565	2,050
Water transmission, distribution and repair	123,282	129,939
Bad debt expense	1,180	4,410
Capital expenditures	57,886	-
	184,913	136,399
Annual deficit	(4,597)	(16,190)
Accumulated deficit, beginning of year	(73,538)	(57,348)
Accumulated deficit, end of year	\$ (78,135)	\$ (73,538)

Bradley Subdivision Waterworks

	2017	2016
REVENUE		
Water service charges and other water revenue	\$ 22,832	\$ 16,016
EXPENDITURES		
Wages	600	865
Water transmission, distribution and repair	22,474	14,532
	23,074	15,397
Annual surplus (deficit)	(242)	619
Accumulated deficit, beginning of year	(9,284)	(9,903)
Accumulated deficit, end of year	\$ (9,526)	\$ (9,284)

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

18. CHARLTON AND DACK WATERWORKS - continued

Clarksville Waterworks

	2017	2016
REVENUE		
Water service charges and other water revenue	\$ 17,164	\$ 11,732
Provincial grants – capital	1,095,732	-
	1,112,896	11,732
EXPENDITURES		
Wages	450	180
Water transmission, distribution and repair	14,155	10,353
Capital expenditures	1,186,147	-
	1,200,752	10,533
Annual surplus (deficit)	(87,856)	1,199
Surplus, beginning of year	1,971	772
Surplus (deficit), end of year	\$ (85,885)	\$ 1,971
Surplus (deficit) is made up of:		
Reserve	\$ 4,530	\$ 1,971
Unfinanced capital expenditures	(90,415)	-
	\$ (85,885)	\$ 1,971

THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

19. 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 2017 budget.

	2017 Budget	2017 Actual	2016 Actual
REVENUES			
Operating revenues			
Municipal taxation	\$ 589,653	\$ 593,282	\$ 568,814
Water user charges	163,989	166,132	146,607
User charges	29,925	43,777	58,655
Provincial grants	245,346	252,921	248,109
Federal grants	2,300	6,476	4,454
Investment income	500	-	847
Penalties and interest on taxes	14,000	15,637	14,399
Provincial Offences Act revenues	14,000	10,606	13,987
Other	39,100	25,856	20,016
	<u>1,098,813</u>	<u>1,114,687</u>	<u>1,075,888</u>
Capital revenues			
Provincial grants	1,183,070	1,121,397	25,000
Federal grants	136,500	92,779	8,018
Donations	-	17,500	10,500
Proceeds from long-term debt	-	59,970	-
Proceeds from sale of tangible capital assets	-	31,348	2,384
	<u>1,319,570</u>	<u>1,322,994</u>	<u>45,902</u>
Total revenues	<u>2,418,383</u>	<u>2,437,681</u>	<u>1,121,790</u>
EXPENDITURES			
Operating expenditures			
General government	248,099	253,658	251,277
Protection to persons and property	124,587	130,824	128,693
Transportation services	271,937	262,831	269,006
Environmental services	178,760	179,481	178,119
Health services	91,871	83,902	91,632
Social and family services	68,787	68,788	67,747
Recreation and cultural services	50,146	45,541	51,759
Planning and development	3,975	13,236	9,832
	<u>1,038,162</u>	<u>1,038,261</u>	<u>1,048,065</u>
Capital expenditures	1,446,479	1,395,433	75,712
Debt principal repayments	51,122	51,122	41,127
Total expenditures	<u>2,535,763</u>	<u>2,484,816</u>	<u>1,164,904</u>
Deficit - full budget base	<u>\$ (117,380)</u>	<u>\$ (47,135)</u>	<u>\$ (43,114)</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, 2017 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
May 28, 2018

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, 2017**

FINANCIAL ASSETS	<u>2017</u>	<u>2016</u>
Due from the Corporation of the Municipality of Charlton and Dack	\$ 339	\$ 10,476
Short-term deposits	<u>45,144</u>	<u>33,937</u>
	\$ 45,483	\$ 44,413
<hr/>		
LIABILITIES		
Perpetual care fund	\$ 45,483	\$ 44,413

STATEMENT OF CONTINUITY**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 44,413	\$ 36,068
Perpetual Care receipts – note 2		
re: sale of plots, headstone maintenance	1,070	1,290
Transfer from Public Guardian – Brentha Cemetery – note 3	<u>-</u>	<u>7,055</u>
Balance, end of year	\$ 45,483	\$ 44,413

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

In 2016 the funds held by the Public Trustee for the Brentha cemetery were transferred back to the Municipality.