

**CONSOLIDATED FINANCIAL REPORT**

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

**DISTRICT OF TIMISKAMING**

**YEAR ENDED DECEMBER 31, 2019**

## INDEX

### THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK

	<b>Page Number</b>
Management's Responsibility for the Financial Statements	1
Auditors' Report	2 - 3
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Change in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 21
Cemetery Trust Fund	
– Notice to Reader	22
– Statement of Financial Position and Statement of Continuity	23
– Notes to the Financial Statements	23

## **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 Corporation 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 Corporation of 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 Corporation of 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 Corporation of the Municipality of Charlton and Dack's financial statements.

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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:

### **Opinion**

We have audited the 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, 2019, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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, 2019, and the results of its operations, change in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Corporation of the Municipality of Charlton and Dack in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, management is responsible for assessing the Corporation of the Municipality of Charlton and Dack's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation of the Municipality of Charlton and Dack or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation of the Municipality of Charlton and Dack's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- \* Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- \* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation of the Municipality of Charlton and Dack's internal control.
- \* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- \* Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation of the Municipality of Charlton and Dack's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation of the Municipality of Charlton and Dack to cease to continue as a going concern.
- \* Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kemp Elliott & Blair LLP

*Kemp Elliott & Blair LLP*

Licensed Public Accountants  
New Liskeard, Ontario  
May 4, 2020

Chartered Professional Accountants

# THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

### FINANCIAL ASSETS

	2019	2018
Cash	\$ 851,122	\$ 148,334
Short-term investments	-	118,083
Taxes receivable	148,390	143,630
Accounts receivable	76,246	304,606
Long-term receivable – tile drainage – note 4	132,467	134,232
	<u>1,208,225</u>	<u>848,885</u>

### LIABILITIES

Accounts payable and accrued liabilities	169,929	195,761
Deferred revenue – obligatory reserve funds – note 6	60,267	14,786
Deferred revenue – other – note 7	174,614	40,294
Landfill closure and post-closure liability – note 8	13,710	17,490
Municipal debt – tile drainage – note 4	132,467	134,232
Municipal debt – other – note 9	205,898	313,761
	<u>756,885</u>	<u>716,324</u>

### NET FINANCIAL ASSETS

451,340                      132,561

### NON-FINANCIAL ASSETS

Tangible capital assets – note 17	4,648,425	4,584,208
Inventories of supplies	10,840	5,804
	<u>4,659,265</u>	<u>4,590,012</u>

### ACCUMULATED SURPLUS – note 11

\$ 5,110,605                      \$ 4,722,573

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, 2019**

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	2019 Budget (Note 10)	2019 Actual	2018 Actual
<b>REVENUES</b>			
Operating revenues			
Municipal taxation	\$ 635,650	\$ 635,541	\$ 631,454
Water user charges	169,266	168,259	240,787
User charges	363,453	317,969	186,542
Provincial grants	270,419	473,886	252,016
Federal grants	-	4,102	3,500
Revenue from other municipalities	15,600	102,780	35,500
Investment income	-	-	923
Penalties and interest on taxes	15,000	20,469	17,108
Provincial Offences Act revenues	11,000	9,484	10,998
Sale of Land	3,800	3,340	-
Gain (loss) on disposal of tangible capital assets	-	(35,607)	2,002
Other	25,443	38,632	44,787
	1,509,631	1,738,855	1,425,617
Capital revenues			
Provincial grants	58,000	56,640	269,166
Federal grants	40,000	40,000	73,384
Revenue from other municipalities	-	9,092	-
	98,000	105,732	342,550
Total revenues	1,607,631	1,844,587	1,768,167
<b>EXPENDITURES</b>			
General government	276,997	351,537	264,046
Protection to persons and property	143,278	153,484	142,243
Transportation services	402,660	436,116	431,383
Environmental services	286,364	271,819	265,370
Health services	96,674	78,999	98,676
Social and family services	71,119	70,074	70,958
Recreation and cultural services	86,319	80,213	62,715
Planning and development	6,150	14,313	6,882
Total expenditures	1,369,561	1,456,555	1,342,273
<b>ANNUAL SURPLUS</b>	238,070	388,032	425,894
Accumulated surplus from Fire Department	-	-	109,613
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	4,722,573	4,722,573	4,187,066
<b>ACCUMULATED SURPLUS, END OF YEAR – note 11</b>	\$ 4,960,643	\$ 5,110,605	\$ 4,722,573

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 FINANCIAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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	2019 Budget (Note 10)	2019 Actual	2018 Actual
<b>ANNUAL SURPLUS</b>	\$ 238,070	\$ 388,032	\$ 425,894
Acquisition of tangible capital assets	(337,850)	(349,592)	(399,733)
Amortization of tangible capital assets	228,453	249,768	228,650
Consumption (acquisition) of inventories of supplies	-	(5,036)	1,571
Proceeds from disposal of tangible capital assets	-	-	2,002
Loss (gain) on disposal of tangible capital assets	-	35,607	(2,002)
Increase in net financial assets	128,673	318,779	256,382
Net financial assets from Fire Department	-	-	19,108
Net financial assets (debt), beginning of year	132,561	132,561	(142,929)
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>\$ 261,234</b>	<b>\$ 451,340</b>	<b>\$ 132,561</b>

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, 2019**

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<b>OPERATIONS</b>	2019	2018
Annual surplus	\$ 388,032	\$ 425,894
Charges not affecting cash –		
Amortization of tangible capital assets	249,768	228,650
Loss (gain) on sale of tangible capital assets	35,607	(2,002)
Transfer of reserve from Fire Department	-	19,108
	673,407	671,650
Other sources (uses) of cash –		
Change in taxes receivable	(4,760)	598
Change in accounts receivable	228,360	(12,828)
Change in long-term receivable – tile drainage	1,765	13,480
Change in accounts payable and accrued liabilities	(25,832)	(95,392)
Change in deferred revenue – obligatory reserve funds	45,481	(5,991)
Change in deferred revenue – other	134,320	40,294
Change in landfill closure and post-closure liability	(3,780)	-
Change in inventories of supplies	(5,036)	1,571
	370,518	(58,268)
Total cash provided by operations	1,043,925	613,382
<b>CAPITAL TRANSACTIONS</b>		
Acquisition of tangible capital assets	(349,592)	(399,733)
Proceeds from sale of tangible capital assets	-	2,002
Total cash used for capital transactions	(349,592)	(397,731)
<b>INVESTING TRANSACTIONS</b>		
Redemption (acquisition) of short-term investments	118,083	(40,724)
<b>FINANCING TRANSACTIONS</b>		
Municipal debt proceeds – tile drainage	32,300	9,600
Municipal debt repayments – tile drainage	(34,065)	(23,080)
Municipal debt proceeds – other	60,135	118,662
Municipal debt repayments – other	(167,998)	(56,038)
Total cash provided by (used for) financing transactions	(109,628)	49,144
<b>INCREASE IN CASH</b>	702,788	224,071
Cash (bank indebtedness), beginning of year	148,334	(75,737)
<b>CASH, END OF YEAR</b>	\$ 851,122	\$ 148,334
<b>REPRESENTED BY</b>		
Cash	\$ 851,122	\$ 148,334

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, 2019

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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

The following joint local board is proportionally consolidated:

*The Englehart & Area Fire Department*

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.

**THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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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 2019 was \$4,261 (2018 \$3,760).

*Temiskaming Municipal Services Association*

The Timiskaming Municipal Services Association provides the services of a Chief Building Officer to 21 municipalities. The operations of this organization are not proportionately consolidated into these statements because the Municipality does not have control. 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, 2019

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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:

	2019	2018
	<u>                    </u>	<u>                    </u>
	<u>\$ 135,118</u>	<u>\$ 136,830</u>

**THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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3. **Contributions to Joint Boards**

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

	2019	2018
Timiskaming District Health Unit	\$ 7,123	\$ 24,124
District of Timiskaming Social Services Administration Board	\$ 133,943	\$ 133,772
Central Timiskaming Planning Board	\$ 750	\$ 750

4. **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, 2019 is \$132,467 (2018 \$134,232) and is reflected as municipal debt and long-term receivables on the “Consolidated Statement of Financial Position”.

5. **Bank indebtedness**

The Municipality has a \$100,000 business operating line negotiated with Northern Credit Union with a balance outstanding of \$nil (2018 - \$nil). Interest is at bank prime plus 0.5% (currently 4.45%).

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

Deferred revenue – obligatory reserve funds consist of the following:

	December 31 2018	Funds Received	Revenue Earned	December 31 2019
Federal Gas Tax	\$ 14,786	\$ 85,481	\$ 40,000	\$ 60,267

7. **Deferred revenue – other**

Deferred revenue – other consist of the following:

	December 31 2018	Funds Received	Revenue Earned	December 31 2019
Provincial grants	\$ 40,294	\$ 50,378	\$ 60,994	\$ 29,678
Other – Insurance proceeds	-	144,936	-	144,936
	\$ 40,294	\$ 195,314	\$ 60,994	\$ 174,614

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

The liability for closure and post-closure of the landfill site has been recognized using the present value of the estimated closure and post-closure costs, based upon the usage of the site’s capacity. The total capacity of the site is 27,481 cubic meters. The approximate area that has been landfilled is 6,810 cubic meters, leaving an estimated remaining capacity of 20,671 cubic meters. The estimated life of the landfill site is 40 years and post-closure care is estimated to be required for 25 years from the date of site closure.

The discount factor used is 4.45% net of inflation of 2.2%. The liability as at December 31, 2019 is \$13,710 (2018 \$17,490). Estimated expenditures for closure and post-closure care are \$103,362 and \$36,500 respectively, for a total of \$139,862. The liability remaining to be recognized is \$126,152.

# THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

#### 9. Municipal debt

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

	<u>2019</u>	<u>2018</u>
Term loan with Northern Credit Union, payable in monthly installments of \$3,333 plus interest at the bank's prime lending rate plus 0.5% (currently 4.45%) final installment due June 2022. The debt relates to the purchase of a backhoe and a grader.	\$ 100,231	\$ 160,035
Term loan with Northern Credit Union. The loan was paid out in 2019.	-	37,981
Term loan with Northern Credit Union, payable in blended monthly installments of \$768 with interest at the bank's prime lending rate plus 0.5% (currently 4.45%) final installment due April 2033. The debt relates to the replacement of the Clarksville water lines.	92,440	97,083
Term loan with OCWA, payable in monthly installments of \$1,119 plus interest at 2.765%, final installment due December 2020. The debt relates to the purchase of equipment.	<u>13,227</u>	<u>18,662</u>
	<u>\$ 205,898</u>	<u>\$ 313,761</u>

Principal payments are due as follows:

2020	\$ 58,468
2021	45,477
2022	25,967
2023	5,985
2024	6,255
2025 +	<u>63,746</u>
	<u>\$ 205,898</u>

The debt is to be repaid from general municipal revenues. Total interest paid on the loans in 2019 was \$13,686 (2018 \$11,299).

#### 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 5. 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:

**THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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10. **Budget - continued**

	2019
Actual budget deficit for the year – note 19	\$ (31,327)
Add: Investment in tangible capital assets	337,850
Long-term debt repayments	160,000
Less: Estimated amortization	(228,453)
 Budget surplus per statement of operations – page 5	 \$ 238,070

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.

	2019	2018
<b>Reserves and deficits</b>		
Working capital reserve	\$ 359,003	\$ 387,174
Modernization reserve	203,682	-
Cemetery reserve	32,035	31,718
Heritage Centre reserve	9,349	6,108
Clarksville water reserve	16,083	18,928
Bradley Subdivision water deficit	(2,046)	(4,404)
Charlton water reserve	16,719	20,934
Fireworks reserve	3,845	1,527
Fire department reserve	14,568	33,038
Parkland reserve	4,000	4,000
	657,238	499,023
 <b>Amounts to be recovered</b>		
Unfinanced municipal debt	(205,898)	(313,761)
Unfinanced capital expenditures – Clarksville Water	-	(52,701)
	(205,898)	(366,462)
 <b>Net financial assets</b>	 451,340	 132,561
 <b>Non-financial assets</b>		
Invested in tangible capital assets	4,648,425	4,584,208
Inventories of supplies	10,840	5,804
	4,659,265	4,590,012
 <b>Accumulated surplus</b>	 \$ 5,110,605	 \$ 4,722,573

**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, 2019**

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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 2019 were \$ 25,235 (2018 \$23,124). The plan had an actuarial deficit of \$3.4 billion at the end of 2019.

**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.

**Legal contingencies**

Various statements of claim have been issued against the Municipality claiming damages. Damages, if any, cannot be estimated at this time and in any event, the Municipality is of the opinion that these claims would be unfounded or covered by insurance after application of a \$5,000 deductible per claim. Should any loss result, it would be charged to operations when the amount is ascertained.

13. **Comparative figures**

Comparative figures on the consolidated statement of operations have been reclassified based on the current year presentation. There was no change to the annual surplus.

14. **Cemetery donation**

In 2002, a donation from an estate 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, 2019 is \$ 32,035 (2018 \$31,718).

15. **Trust Funds**

Trust funds administered by the Municipality amounting to \$46,233 (2018 \$46,033) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Operations".



# THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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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:

**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, 2019

### 16. Segmented information – continued

	General Government Services	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development Services	Total 2019	Total 2018
<b>Revenues</b>										
Operating revenues										
Municipal taxation	\$ 635,541	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 635,541	\$ 631,454
Water user charges	-	-	-	168,259	-	-	-	-	168,259	240,787
User charges	3,015	20,870	10,972	274,037	1,275	-	7,800	-	317,969	186,542
Provincial grants	462,882	-	-	-	-	-	10,809	195	473,886	252,016
Federal grants	-	-	-	-	-	-	4,102	-	4,102	3,500
Revenue from other municipalities	87,121	-	15,659	-	-	-	-	-	102,780	35,500
Investment income	-	-	-	-	-	-	-	-	-	923
Penalties and interest on taxes	20,469	-	-	-	-	-	-	-	20,469	17,108
Provincial Offences Act revenues	-	9,484	-	-	-	-	-	-	9,484	10,998
Sale of land	3,340	-	-	-	-	-	-	-	3,340	-
Gain (loss) on disposal of tangible capital assets	-	-	-	-	-	-	(35,607)	-	(35,607)	2,002
Other	845	3,614	-	-	-	-	23,730	10,443	38,632	44,787
	<u>1,213,213</u>	<u>33,968</u>	<u>26,631</u>	<u>442,296</u>	<u>1,275</u>	<u>-</u>	<u>10,834</u>	<u>10,638</u>	<u>1,738,855</u>	<u>1,425,617</u>
Capital revenues										
Provincial grants	5,009	-	51,631	-	-	-	-	-	56,640	269,166
Federal grants	-	-	40,000	-	-	-	-	-	40,000	73,384
Revenue from other municipalities	9,092	-	-	-	-	-	-	-	9,092	-
	<u>14,101</u>	<u>-</u>	<u>91,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,732</u>	<u>342,550</u>
<b>Total revenues</b>	<u>1,227,314</u>	<u>33,968</u>	<u>118,262</u>	<u>442,296</u>	<u>1,275</u>	<u>-</u>	<u>10,834</u>	<u>10,638</u>	<u>1,844,587</u>	<u>1,768,167</u>
<b>Expenditures</b>										
Wages and benefits	217,155	13,590	153,416	10,509	-	-	-	-	394,670	342,592
Long-term debt interest	-	-	8,552	5,134	-	-	-	-	13,686	11,299
Materials	32,193	17,045	125,644	33,895	389	-	53,973	4,924	268,063	281,716
Contracted services	89,525	21,568	11,638	137,698	7,200	-	11,946	8,443	288,018	223,692
Rents and financial expenses	6,362	91	-	-	-	-	-	-	6,453	7,665
External transfers	-	94,832	-	-	70,991	70,074	-	-	235,897	246,659
Amortization	6,302	6,358	136,866	84,583	419	-	14,294	946	249,768	228,650
<b>Total expenditures</b>	<u>351,537</u>	<u>153,484</u>	<u>436,116</u>	<u>271,819</u>	<u>78,999</u>	<u>70,074</u>	<u>80,213</u>	<u>14,313</u>	<u>1,456,555</u>	<u>1,342,273</u>
<b>Annual surplus (deficit)</b>	<u>\$ 875,777</u>	<u>\$ (119,516)</u>	<u>\$ (317,854)</u>	<u>\$ 170,477</u>	<u>\$ (77,724)</u>	<u>\$ (70,074)</u>	<u>\$ (69,379)</u>	<u>\$ (3,675)</u>	<u>\$ 388,032</u>	<u>\$ 425,894</u>

# THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

#### 17. Schedule of tangible capital assets

2019

	Opening Cost Dec 31, 2018	Additions	Disposals	Ending Cost Dec 31, 2019	Opening Accumulated Amortization Dec 31, 2018	Accumulated Amortization on Disposals	Current Amortization	Ending Accumulated Amortization Dec 31, 2019	Net Assets Dec 31, 2019
<b>General</b>									
Land	\$ 23,481	\$ -	-	\$ 23,481	\$ -	\$ -	\$ -	\$ -	\$ 23,481
Land improvements	49,720	-	-	49,720	20,248	-	1,598	21,846	27,874
Buildings	1,536,897	12,189	88,060	1,461,026	755,456	52,453	29,666	732,669	728,357
Automotive equipment	674,756	211,705	-	886,461	162,419	-	70,025	232,444	654,017
Equipment	1,787,541	34,067	-	1,821,608	1,559,997	-	33,837	1,593,834	227,774
<b>Infrastructure</b>									
Roads	755,511	80,000	-	835,511	305,566	-	32,999	338,565	496,946
Water distribution lines	2,409,707	-	-	2,409,707	669,558	-	48,195	717,753	1,691,954
Bridges and culverts	1,794,681	11,631	-	1,806,312	991,184	-	32,502	1,023,686	782,626
Municipal drains	47,342	-	-	47,342	31,000	-	946	31,946	15,396
<b>Total</b>	<b>\$ 9,079,636</b>	<b>\$ 349,592</b>	<b>\$ 88,060</b>	<b>\$ 9,341,168</b>	<b>\$ 4,495,428</b>	<b>\$ 52,453</b>	<b>\$ 249,768</b>	<b>\$ 4,692,743</b>	<b>\$ 4,648,425</b>

# THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

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

2018

	Opening Cost Dec 31, 2017	Additions and Transfers	Disposals	Ending Cost Dec 31, 2018	Opening Accumulated Amortization Dec 31, 2017	Accumulated Amortization on Disposals and Transfers	Current Amortization	Ending Accumulated Amortization Dec 31, 2018	Net Assets Dec 31, 2018
<b>General</b>									
Land	\$ 23,481	\$ -	-	\$ 23,481	\$ -	\$ -	\$ -	\$ -	\$ 23,481
Land improvements	49,720	-	-	49,720	18,650	-	1,598	20,248	29,472
Buildings	1,513,266	23,631	-	1,536,897	722,175	-	33,281	755,456	781,441
Automotive equipment	601,324	98,882	25,450	674,756	128,998	15,907	49,328	162,419	512,337
Equipment	1,512,168	275,373	-	1,787,541	1,423,919	(102,844)	33,234	1,559,997	227,544
Construction in progress	57,855	-	57,855	-	-	-	-	-	-
<b>Infrastructure</b>									
Roads	755,511	-	-	755,511	275,767	-	29,799	305,566	449,945
Water distribution lines	997,629	1,412,078	-	2,409,707	621,363	-	48,195	669,558	1,740,149
Bridges and culverts	1,758,018	36,663	-	1,794,681	958,915	-	32,269	991,184	803,497
Municipal drains	47,342	-	-	47,342	30,054	-	946	31,000	16,342
Construction in progress	1,186,147	-	1,186,147	-	-	-	-	-	-
<b>Total</b>	<b>\$ 8,502,461</b>	<b>\$ 1,846,627</b>	<b>\$ 1,269,452</b>	<b>\$ 9,079,636</b>	<b>\$ 4,179,841</b>	<b>\$ 86,937</b>	<b>\$ 228,650</b>	<b>\$ 4,495,428</b>	<b>\$ 4,584,208</b>

**THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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

	2019	2018
<b>REVENUE</b>		
Water service charges and other water revenue	\$ 126,889	\$ 201,439
Provincial grants – capital	-	24,335
Federal grants – capital	-	24,335
Proceeds from long-term debt	7,434	18,662
Other – Hydro rebate	-	5,008
	134,323	273,779
<b>EXPENDITURES</b>		
Wages	-	2,400
Water transmission, distribution and repair	125,113	110,528
Bad debt expense	-	975
Capital expenditures	-	60,807
Repayment of long term debt - principal	12,869	-
- interest	556	-
	138,538	174,710
<b>Annual surplus (deficit)</b>	(4,215)	99,069
Reserve (accumulated deficit), beginning of year	20,934	(78,135)
<b>Reserve, end of year</b>	\$ 16,719	\$ 20,934

**Bradley Subdivision Waterworks**

	2019	2018
<b>REVENUE</b>		
Water service charges and other water revenue	\$ 23,386	\$ 23,386
<b>EXPENDITURES</b>		
Wages	-	600
Water transmission, distribution and repair	21,028	17,664
	21,028	18,264
<b>Annual surplus</b>	2,358	5,122
Accumulated deficit, beginning of year	(4,404)	(9,526)
<b>Accumulated deficit, end of year</b>	\$ (2,046)	\$ (4,404)

**THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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18. **CHARLTON AND DACK WATERWORKS - continued****Clarksville Waterworks**

	2019	2018
<b>REVENUE</b>		
Water service charges and other water revenue	\$ 20,909	\$ 18,887
Provincial grants – capital	-	221,200
Federal grants – capital	-	12,386
Proceeds from long-term debt	-	100,000
	20,909	352,473
<b>EXPENDITURES</b>		
Wages	-	600
Water transmission, distribution and repair	14,533	16,110
Capital expenditures	-	225,931
Repayment of long term debt – principal	4,643	2,917
– interest	4,578	2,102
	23,754	247,660
<b>Annual surplus (deficit)</b>	(2,845)	104,813
Reserve (accumulated deficit), beginning of year	18,928	(85,885)
<b>Reserve, end of year</b>	\$ 16,083	\$ 18,928

**THE CORPORATION OF THE MUNICIPALITY OF CHARLTON AND DACK**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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 5 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 2019 budget.

	2019 Budget	2019 Actual	2018 Actual
<b>REVENUES</b>			
Operating revenues			
Municipal taxation	\$ 635,650	\$ 635,541	\$ 631,454
Water user charges	169,266	168,259	240,787
User charges	363,453	317,969	186,542
Provincial grants	270,419	473,886	252,016
Federal grants	-	4,102	3,500
Revenue from other municipalities	15,600	102,780	35,500
Investment income	-	-	923
Penalties and interest on taxes	15,000	20,469	17,108
Provincial Offences Act revenues	11,000	9,484	10,998
Sale of land	3,800	3,340	-
Other	25,443	38,632	44,787
	<u>1,509,631</u>	<u>1,774,462</u>	<u>1,423,615</u>
Capital revenues			
Provincial grants	58,000	56,640	269,166
Federal grants	40,000	40,000	73,384
Revenue from other municipalities	-	9,092	-
Proceeds from long-term debt	-	60,135	118,662
Proceeds from sale of tangible capital assets	-	-	2,002
	<u>98,000</u>	<u>165,867</u>	<u>463,214</u>
Total revenues	<u>1,607,631</u>	<u>1,940,329</u>	<u>1,886,829</u>
<b>EXPENDITURES</b>			
Operating expenditures			
General government	273,997	345,235	260,733
Protection to persons and property	136,825	147,126	135,836
Transportation services	289,660	304,286	317,137
Environmental services	201,864	187,236	180,787
Health services	96,174	78,580	98,257
Social and family services	71,119	70,074	70,958
Recreation and cultural services	66,319	65,919	42,408
Planning and development	5,150	13,367	5,936
	<u>1,141,108</u>	<u>1,211,823</u>	<u>1,112,052</u>
Capital expenditures	337,850	349,592	399,733
Debt principal repayments	160,000	167,998	56,038
Total expenditures	<u>1,638,958</u>	<u>1,729,413</u>	<u>1,567,823</u>
<b>Surplus (deficit) - full budget base</b>	<u>\$ (31,327)</u>	<u>\$ 210,916</u>	<u>\$ 319,006</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, 2019 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*

Chartered Professional Accountants

Licensed Public Accountants  
New Liskeard, Ontario  
May 4, 2020



(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, 2019**

<b>FINANCIAL ASSETS</b>	2019	2018
Due from the Corporation of the Municipality of Charlton and Dack	\$ 46,233	\$ -
Short-term deposits	-	46,151
	\$ 46,233	\$ 46,151
 <b>LIABILITIES</b>		
Due to the Corporation of the Municipality of Charlton and Dack	\$ -	\$ 118
 <b>FUND BALANCE</b>		
Perpetual care fund	46,233	46,033
	\$ 46,233	\$ 46,151

**STATEMENT OF CONTINUITY****FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019	2018
Balance, beginning of year	\$ 46,033	\$ 45,483
Perpetual Care receipts – note 2 re: sale of plots, headstone maintenance	200	550
<b>Balance, end of year</b>	\$ 46,233	\$ 46,033

**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.