

CONSOLIDATED FINANCIAL REPORT

**THE CORPORATION OF THE
TOWNSHIP OF BLACK RIVER-MATHESON**

DISTRICT OF COCHRANE

YEAR ENDED DECEMBER 31, 2018

INDEX

THE CORPORATION OF THE TOWNSHIP OF BLACK RIVER-MATHESON

	Page Number
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 - 24
Trust Funds	
– Notice to Reader	25
– Statement of Continuity and Financial Position	26
– Notes to the Financial Statements	26

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of the Corporation of the Township of Black River-Matheson are the responsibility of the Corporation of the Township of Black River-Matheson'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 Township of Black River-Matheson'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 Township of Black River-Matheson. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Corporation of the Township of Black River-Matheson's financial statements.



Clerk-Treasurer
Cassandra Child

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Township of Black River-Matheson:

Opinion

We have audited the consolidated financial statements of the Corporation of the Township of Black River-Matheson, which comprise the consolidated statement of financial position as at December 31, 2018, 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 Township of Black River-Matheson as at December 31, 2018, 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 Township of Black River-Matheson 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 Township of Black River-Matheson'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 Township of Black River-Matheson 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 Township of Black River-Matheson'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 Township of Black River-Matheson'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 Township of Black River-Matheson'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 Township of Black River-Matheson 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
August 27, 2019

Chartered Professional Accountants

THE CORPORATION OF THE TOWNSHIP OF BLACK RIVER-MATHESON
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

FINANCIAL ASSETS	2018	2017
Cash	\$ 1,490,752	\$ 1,617,306
Short-term investments – note 5	6,911,502	6,806,529
Taxes receivable	324,589	332,846
Accounts receivable	676,812	419,148
Long-term receivable – tile drainage – note 9	30,127	32,600
	9,433,782	9,208,429
 LIABILITIES		
Accounts payable and accrued liabilities	791,135	474,403
Employee sick leave payable – note 14	34,959	51,948
Landfill closure and post-closure liability – note 6	127,000	125,000
Deferred revenue – other – note 7	34,663	13,897
Deferred revenue – obligatory reserve fund – note 8	161,330	151,237
Municipal debt – tile drainage – note 9	30,127	32,600
Municipal debt – other – note 10	86,598	-
	1,265,812	849,085
NET FINANCIAL ASSETS	8,167,970	8,359,344
 NON-FINANCIAL ASSETS		
Tangible capital assets – note 16	13,598,443	13,424,536
Inventories of supplies	339,069	150,020
	13,937,512	13,574,556
ACCUMULATED SURPLUS – note 12	\$ 22,105,482	\$ 21,933,900

Contingent liabilities and commitments – note 14

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

On behalf of Council:

Mayor



Clerk-treasurer

THE CORPORATION OF THE TOWNSHIP OF BLACK RIVER-MATHESON
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 Budget (Note 11)	2018 Actual	2017 Actual
REVENUES			
Operating revenues			
Municipal taxation	\$ 3,766,785	\$ 3,753,157	\$ 3,739,362
Water, sewer and garbage charges	984,236	1,014,986	1,003,813
User charges	213,880	296,588	244,021
Provincial grants	1,519,544	1,545,897	1,594,072
Federal grants	20,650	1,675	24,733
Investment income	133,000	156,728	140,550
Penalties and interest on taxes	46,000	58,722	49,952
Provincial Offences Act revenues	20,000	24,735	34,676
Loss on disposal of tangible capital assets	-	(68,802)	-
Other	14,920	27,294	90,686
	<u>6,719,015</u>	<u>6,810,980</u>	<u>6,921,865</u>
Capital revenues			
Provincial grants	898,475	51,808	50,000
Federal grants	196,500	435,288	52,000
Other	-	8,040	-
	<u>1,094,975</u>	<u>495,136</u>	<u>102,000</u>
Total revenues	<u>7,813,990</u>	<u>7,306,116</u>	<u>7,023,865</u>
EXPENDITURES			
General government	914,967	1,039,240	714,883
Protection to persons and property	940,313	911,403	918,654
Transportation services	2,510,394	2,518,856	2,461,628
Environmental services	1,211,031	1,133,930	929,289
Health services	312,830	340,951	378,987
Social and family services	510,519	453,416	486,494
Recreation and cultural services	503,073	555,920	458,986
Planning and development	49,400	180,818	99,606
Total expenditures	<u>6,952,527</u>	<u>7,134,534</u>	<u>6,448,527</u>
ANNUAL SURPLUS	861,463	171,582	575,338
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>21,933,900</u>	<u>21,933,900</u>	<u>21,358,562</u>
ACCUMULATED SURPLUS, END OF YEAR – note 12	<u>\$ 22,795,363</u>	<u>\$ 22,105,482</u>	<u>\$ 21,933,900</u>

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

THE CORPORATION OF THE TOWNSHIP OF BLACK RIVER-MATHESON
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 Budget (Note 11)	2018 Actual	2017 Actual
ANNUAL SURPLUS	\$ 861,463	\$ 171,582	\$ 575,338
Acquisition of tangible capital assets	(1,622,284)	(851,961)	(1,118,576)
Amortization of tangible capital assets	637,000	639,780	637,230
Loss on disposal of tangible capital assets	-	68,802	-
Costs to dispose tangible capital assets	-	(30,528)	-
Consumption (acquisition) of inventories of supplies	-	(189,049)	193,537
Increase (decrease) in net financial assets	(123,821)	(191,374)	287,529
Net financial assets, beginning of year	8,359,344	8,359,344	8,071,815
NET FINANCIAL ASSETS, END OF YEAR	\$ 8,235,523	\$ 8,167,970	\$ 8,359,344

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

THE CORPORATION OF THE TOWNSHIP OF BLACK RIVER-MATHESON
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

OPERATIONS	2018	2017
Annual surplus	\$ 171,582	\$ 575,338
Charges not affecting cash –		
Amortization of tangible capital assets	639,780	637,230
Loss on disposal of tangible capital assets	68,802	-
	880,164	1,212,568
Other sources (uses) of cash –		
Change in taxes receivable	8,257	(131,099)
Change in accounts receivable	(268,500)	(165,610)
Change in accounts payable and accrued liabilities	327,568	(155,565)
Change in employee sick leave payable	(16,989)	(587)
Change in accrued landfill closure and post-closure liability	2,000	(211,000)
Change in deferred revenue – other	20,766	(9,113)
Change in deferred revenue – obligatory reserve funds	10,093	151,237
Change in inventories of supplies	(189,049)	193,537
	(105,854)	(328,200)
Total cash provided by operations	774,310	884,368
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(851,961)	(1,118,576)
Costs to dispose tangible capital assets	(30,528)	-
Total cash used for capital transactions	(882,489)	(1,118,576)
INVESTING TRANSACTIONS		
Acquisition of short-term investments	(104,973)	-
Redemption of short-term investments	-	531,112
Total cash provided by (used for) investing transactions	(104,973)	531,112
FINANCING TRANSACTIONS		
Municipal debt proceeds	90,853	-
Municipal debt repayments	(4,255)	-
Total cash provided by financing transactions	86,598	-
INCREASE (DECREASE) IN CASH	(126,554)	296,904
Cash, beginning of year	1,617,306	1,320,402
CASH, END OF YEAR	\$ 1,490,752	\$ 1,617,306
REPRESENTED BY		
Cash	\$ 1,490,752	\$ 1,617,306

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

THE CORPORATION OF THE TOWNSHIP OF BLACK RIVER-MATHESON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

The Corporation of the Township of Black River-Matheson is a township 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 Township of Black River-Matheson 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 liability.

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 Township and include the activities of all committees of Council and the following boards, municipal enterprises and utilities which are under the control of Council:

The Corporation of the Township of Black River-Matheson Library Board
The Corporation of the Township of Black River-Matheson Museum Committee

Separate schedules for these boards have also been prepared. 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:

Porcupine Health Unit
Cochrane District Social Services Administration Board

Although these are joint local boards they run autonomously to provide those services mandated by the Province. The Township 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 Township in its statements.

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.

Inventories of supplies

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

THE CORPORATION OF THE TOWNSHIP OF BLACK RIVER-MATHESON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. **Accounting policies – continued**

Trust funds

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

Municipal drains

Municipal drain construction and maintenance expenses are recorded as incurred. Financing is reflected at the same time. Generally, costs will be covered by the province or landowners with the Township only responsible for costs allocated to Township roads.

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 costs, less the residual values, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	10 to 50 years
Buildings	25 to 50 years
Vehicles	15 to 25 years
Equipment	5 to 50 years
Underground networks	40 to 50 years
Roads	7 to 50 years
Bridges	75 years
Culverts	30 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 Township has no capitalization threshold for land and buildings, a capitalization threshold of \$10,000 for infrastructure systems and \$2,500 for all other assets. Individual assets of lesser value are expensed, unless they are pooled, because, collectively, they have significant value.

Deferred revenue – other

The Township receives certain amounts pursuant to funding agreements that may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recorded as deferred revenue and are recognized as revenue in the fiscal year the eligibility criteria has been met except when stipulations are present and to the extent that the transfer give rise to an obligation that meets the definition of a liability.

Deferred revenue – obligatory reserve funds

The Township 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.

THE CORPORATION OF THE TOWNSHIP OF BLACK RIVER-MATHESON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

1. **Accounting policies – continued**
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 Township 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 Township 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 Township 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 Township 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:

	2018	2017
	<u>\$ 1,295,257</u>	<u>\$ 1,301,329</u>

3. **Contributions to Joint Boards**

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

	2018	2017
Porcupine Health Unit	<u>\$ 86,554</u>	<u>\$ 84,866</u>
Cochrane District Social Services Administration Board (CDSSAB)	<u>\$ 681,317</u>	<u>\$ 740,025</u>

4. **Trust Funds**

Trust funds administered by the Township amounting to \$189,275 (2017 \$186,935) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Operations". A separate set of financial statements is prepared for the trust funds.

THE CORPORATION OF THE TOWNSHIP OF BLACK RIVER-MATHESON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

5. Short-term investments	Market Value 2018	Cost 2018	Cost 2017
Investments held through The ONE Investment Program:			
Bond portfolio	\$ 2,243,506	\$ 2,301,481	\$ 2,251,251
Universe Corporate Bond portfolio	2,251,352	2,302,384	2,247,641
Equity portfolio	2,454,918	2,307,637	2,307,637
	<u>\$ 6,949,776</u>	<u>\$ 6,911,502</u>	<u>\$ 6,806,529</u>

6. Landfill closure and post-closure liability

The liability for closure and post-closure of the landfill sites has been recognized using the present value of the estimated closure and post-closure costs, based upon the usage of the sites' capacity.

The discount factor used for all 5 sites is 4.285% net of inflation of 2.2%. Figures used for the calculation of the liability for closure and post-closure costs of each site is detailed below:

	Matheson	Val Gagne	Butler Lake	Ramore	Munroe	Total
Total capacity (m ³)	126,000	40,000	5,000	15,000	26,000	212,000
Landfilled area (m ³)	39,102	13,037	2,047	15,179	4,438	73,803
Remaining capacity (m ³)	86,898	26,963	2,953	-	21,562	138,197
Estimated life (yrs)	74	41	87	-	64	-
Post-closure care (yrs)	2	5	5	5	5	-
Liability at Dec 31, 2018 (\$)	18,100	14,200	5,600	84,000	5,100	127,000
Closure costs (\$)	235,600	50,000	50,000	50,000	70,000	455,600
Post-closure costs (\$)	34,000	55,000	35,000	35,000	45,000	204,000
Liability remaining to be recognized (\$)	251,500	90,800	79,400	1,000	109,900	532,600

7. Deferred revenue – other

Deferred revenue – other consists of the following:

	December 31 2017	Funds Received	Revenue Earned	December 31 2018
Provincial government	\$ 13,897	\$ 61,471	\$ 40,705	\$ 34,663

8. Deferred revenue – obligatory reserve funds

Deferred revenue – obligatory reserve funds consist of the following:

	December 31 2017	Funds Received	Revenue Earned	December 31 2018
Federal Gas Tax	\$ 151,237	\$ 156,593	\$ 146,500	\$ 161,330

THE CORPORATION OF THE TOWNSHIP OF BLACK RIVER-MATHESON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

9. **Long-term receivables / municipal debt – tile drainage**

The Township is liable for long-term liabilities with respect to tile drainage assistance loans for which the responsibility for the payment of principal and interest has been assumed by the benefiting landowners. The total amount outstanding as at December 31, 2018 is \$30,127 (2017 \$32,600) and is reflected as municipal debt and long-term receivables on the Consolidated Statement of Financial Position.

10. **Municipal debt**

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

	<u>2018</u>	<u>2017</u>
Term loan with OCWA, payable in blended monthly installments of \$1,621 plus interest at 2.72%, final installment due January 2021. The debt relates to the purchase of equipment.	<u>\$ 86,598</u>	<u>\$ -</u>

Principal payments are due as follows:

2019	\$	17,313
2020		17,791
2021		18,281
2022		18,785
2023		<u>14,428</u>
	<u>\$</u>	<u>86,598</u>

The debt is to be repaid from general municipal revenues. Total interest paid on the loan in 2018 was \$609.

11. **Budget**

The Budget adopted by Council was not prepared on a basis consistent with that used to report actual results 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 17. It expenses all tangible capital expenditures, does not include amortization expense, reflects proceeds of long-term debt as revenue, principal repayments of long-term debt as an expense and the full proceeds from the sale of tangible capital assets as revenue. 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>2018</u>
Actual budget deficit for the year – note 17	\$ (191,821)
Add: Investment in tangible capital assets	1,622,284
Budgeted debt repayments	68,000
Less: Estimated amortization	<u>(637,000)</u>
Budget surplus per statement of operations – page 5	<u>\$ 861,463</u>

THE CORPORATION OF THE TOWNSHIP OF BLACK RIVER-MATHESON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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.

	2018	2017
Reserves		
Working funds reserve	\$ 3,911,695	\$ 4,273,425
Fire equipment reserve	178,461	137,167
Public works reserve	176,014	226,318
Administration reserve	195,393	214,775
Recreation reserve	99,085	133,928
Library reserve	3,035	6,500
Museum reserve – note 22	25,575	23,075
Cemeteries reserve	36,312	36,312
Economic development reserve	171,060	171,060
Planning reserve	1,628	1,628
Infrastructure reserve	524,900	444,900
Protective inspection/by-law reserve	11,250	4,250
Tax rate stabilization reserve	334,334	334,334
Water reserve – note 19	1,337,668	1,287,457
Sewer reserve – note 18	1,009,278	831,366
Garbage collection reserve – note 20	33,611	27,580
Landfill reserve	205,269	205,269
	<u>8,254,568</u>	<u>8,359,344</u>
Amounts to be recovered		
Unfinanced municipal debt	(86,598)	-
Net financial assets	<u>8,167,970</u>	<u>8,359,344</u>
Non-financial assets		
Invested in tangible capital assets	13,598,443	13,424,536
Inventories of supplies	339,069	150,020
	<u>13,937,512</u>	<u>13,574,556</u>
Accumulated surplus	<u>\$ 22,105,482</u>	<u>\$ 21,933,900</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.

13. **Revolving line of credit**

The Township has a \$2,000,000 business operating line negotiated with CIBC with a balance outstanding of \$nil (2017 \$nil) and interest is at bank prime plus 0.25% (currently 4.2%).

THE CORPORATION OF THE TOWNSHIP OF BLACK RIVER-MATHESON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

14. **Contingent liabilities and commitments**

Non-Consolidated Entities

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

Ontario Municipal Employees Retirement Fund

All permanent, full-time employees of the Township 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 Township are recognized as an expenditure. No pension liability for this type of plan is recognized in the Township's consolidated financial statements. Contributions made by the Township to OMERS for 2018 were \$125,154 (2017 \$103,256). The plan had an actuarial deficit of \$4.2 billion at the end of 2018.

Employee Sick Leave payable

Under the sick leave benefit plan, unused sick leave can be accumulated and employees may become entitled to a cash payment when they leave the Township's employment.

The liability for sick leave, to the extent that it has vested and could be taken in cash by an employee on termination, amounted to \$34,959 (2017 \$51,948). This is reflected as a liability in the financial statements. There are no other obligations to municipal employees related to retirement or other post-employment benefits.

Funding agreements

Under the terms of various funding agreements, the Township 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 other statements of claim have been issued against the Township claiming damages. Damages, if any, cannot be estimated at this time and in any event, the Township 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.

THE CORPORATION OF THE TOWNSHIP OF BLACK RIVER-MATHESON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

15. **Segmented information**

The Corporation of the Township of Black River-Matheson 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 and sewer services as well as garbage services. Water and sewer services include the operation and distribution of water and networking sewer mains, storm sewers and lagoons. The garbage service is responsible for garbage collection and disposal.

Health Services

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

Social and Family Services

The Township 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 Township and for reviewing and approving new development.

THE CORPORATION OF THE TOWNSHIP OF BLACK RIVER-MATHESON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018									
	Opening Cost Dec 31, 2017	Additions	Disposals	Ending Cost Dec 31, 2018	Opening Accumulated Amortization Dec 31, 2017	Disposals	Ending Accumulated Amortization Dec 31, 2018	Current Amortization Dec 31, 2018	Ending Accumulated Amortization Dec 31, 2018	Net Assets Dec 31, 2018
16. Schedule of tangible capital assets										
General										
Buildings	\$ 3,803,938	\$ 33,346	\$ -	\$ 3,837,284	\$ 2,150,898	\$ -	\$ 2,225,175	\$ 74,277	\$ 2,225,175	\$ 1,612,109
Land improvements	1,549,767	-	-	1,549,767	929,595	-	963,651	34,056	963,651	586,116
Vehicles	2,561,967	-	-	2,561,967	1,271,913	-	1,382,588	110,675	1,382,588	1,179,379
Equipment	4,931,897	336,676	-	5,268,573	2,627,453	-	2,801,404	173,951	2,801,404	2,467,169
Infrastructure										
Roads	10,689,295	173,308	-	10,862,603	7,867,261	-	7,969,707	102,446	7,969,707	2,892,896
Bridges	4,311,306	-	45,164	4,266,142	1,257,157	42,353	1,271,685	56,881	1,271,685	2,994,457
Culverts	1,484,843	-	-	1,484,843	1,138,242	-	1,187,737	49,495	1,187,737	297,106
Underground networks	3,551,197	-	-	3,551,197	2,402,315	-	2,434,556	32,241	2,434,556	1,116,641
Street lights	172,729	-	-	172,729	23,032	-	28,790	5,758	28,790	143,939
Assets under construction	35,463	308,631	35,463	308,631	-	-	-	-	-	308,631
Total	\$ 33,092,402	\$ 851,961	\$ 80,627	\$ 33,863,736	\$ 19,667,866	\$ 42,353	\$ 20,265,293	\$ 639,780	\$ 20,265,293	\$ 13,598,443

THE CORPORATION OF THE TOWNSHIP OF BLACK RIVER-MATHESON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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

	2017		Opening Cost Dec 31, 2016	Ending Cost Dec 31, 2017	Opening Accumulated Amortization Dec 31, 2016	Current Amortization Dec 31, 2017	Ending Accumulated Amortization Dec 31, 2017	Net Assets Dec 31, 2017
	Additions	Dec 31, 2017						
General								
Buildings	\$ 106,343	\$ 3,803,938	\$ 3,697,595	\$ 3,803,938	\$ 2,077,288	\$ 73,610	\$ 2,150,898	\$ 1,653,040
Land improvements	-	1,549,767	1,549,767	1,549,767	895,539	34,056	929,595	620,172
Vehicles	-	2,561,967	2,561,967	2,561,967	1,151,827	120,086	1,271,913	1,290,054
Equipment	424,587	4,931,897	4,507,310	4,931,897	2,461,732	165,721	2,627,453	2,304,444
Infrastructure								
Roads	587,646	10,689,295	10,101,649	10,689,295	7,768,281	98,980	7,867,261	2,822,034
Bridges	-	4,311,306	4,311,306	4,311,306	1,199,874	57,283	1,257,157	3,054,149
Culverts	-	1,484,843	1,484,843	1,484,843	1,088,747	49,495	1,138,242	346,601
Underground networks	-	3,551,197	3,551,197	3,551,197	2,370,074	32,241	2,402,315	1,148,882
Street lights	-	172,729	172,729	172,729	17,274	5,758	23,032	149,697
Assets under construction	-	35,463	35,463	35,463	-	-	-	35,463
Total	\$ 1,118,576	\$ 33,092,402	\$ 31,973,826	\$ 33,092,402	\$ 19,030,636	\$ 637,230	\$ 19,667,866	\$ 13,424,536

THE CORPORATION OF THE TOWNSHIP OF BLACK RIVER-MATHESON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

17. Budgeting

The Township 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 2018 budget.

	2018 Budget	2018 Actual	2017 Actual
REVENUES			
Operating revenues			
Municipal taxation	\$ 3,766,785	\$ 3,753,157	\$ 3,739,362
Water, sewer and garbage charges	984,236	1,014,986	1,003,813
User charges	213,880	296,588	244,021
Provincial grants	1,519,544	1,545,897	1,594,072
Federal grants	20,650	1,675	24,733
Investment income	133,000	156,728	140,550
Penalties and interest on taxes	46,000	58,722	49,952
Provincial Offences Act revenues	20,000	24,735	34,676
Other	14,920	27,294	90,686
	<u>6,719,015</u>	<u>6,879,782</u>	<u>6,921,865</u>
Capital revenues			
Provincial grants	898,475	51,808	50,000
Federal grants	196,500	435,288	52,000
Other	-	8,040	-
Proceeds from long-term debt	-	90,853	-
Total revenues	<u>7,813,990</u>	<u>7,465,771</u>	<u>7,023,865</u>
EXPENDITURES			
Operating expenditures			
General government	908,567	1,029,916	708,450
Protection to persons and property	863,613	845,335	841,888
Transportation services	2,147,594	2,340,396	1,905,333
Environmental services	1,100,831	1,018,341	819,035
Health services	311,030	339,115	377,151
Social and family services	510,519	453,416	486,494
Recreation and cultural services	423,973	476,467	379,803
Planning and development	49,400	180,818	99,606
	<u>6,315,527</u>	<u>6,683,804</u>	<u>5,617,760</u>
Capital expenditures	1,577,284	851,961	1,118,576
Cost to dispose tangible capital assets	45,000	30,528	-
Long term debt repayment	68,000	4,255	-
Total expenditures	<u>8,005,811</u>	<u>7,570,548</u>	<u>6,736,336</u>
Surplus (deficit) full budget base (budgeted to be transferred to (from) reserves)	\$ (191,821)	\$ (104,777)	\$ 287,529

THE CORPORATION OF THE TOWNSHIP OF BLACK RIVER-MATHESON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

18. **Sewer systems Schedule of Operations and Continuity of Reserve**

This schedule is not prepared according to PSAB accounting rules. It is operational. It excludes depreciation, includes capital revenue and expenses, and includes proceeds and repayments of long-term debt.

	2018	2017
Revenue		
User fees and service charges	\$ 461,895	\$ 457,617
Proceeds from long-term debt	90,853	-
Total revenues	<u>552,748</u>	<u>457,617</u>
Expenditures		
Wages and benefits	16,447	14,370
Materials, supplies and other	61,446	77,456
Contracts	192,088	201,093
Maintenance	9,138	1,780
Capital expenses	90,853	28,344
Long-term debt - principal	4,255	-
- interest	609	-
Total expenditures	<u>374,836</u>	<u>323,043</u>
Annual surplus – transferred to reserve	177,912	134,574
Reserve, beginning of year	<u>831,366</u>	<u>696,792</u>
Reserve, end of year	<u>\$ 1,009,278</u>	<u>\$ 831,366</u>

THE CORPORATION OF THE TOWNSHIP OF BLACK RIVER-MATHESON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

19. **Water systems Schedule of Operations and Continuity of Reserve**

This schedule is not prepared according to PSAB accounting rules. It is operational. It excludes depreciation, includes capital revenue and expenses, and includes proceeds and repayments of long-term debt.

	2018	2017
Revenue		
User fees and service charges	\$ 519,374	\$ 512,380
Other revenue	-	44,851
Federal grants – capital	50,000	-
Provincial grants – capital	25,000	-
Total revenues	594,374	557,231
Expenditures		
Wages and benefits	45,992	27,312
Materials and supplies	81,951	69,551
Contracted services	203,181	277,255
Maintenance	37,169	16,427
Capital expenses	175,869	20,595
Total expenditures	544,162	411,140
Annual surplus – transferred to reserve	50,212	146,091
Reserve, beginning of year	1,287,456	1,141,366
Reserve, end of year	\$ 1,337,668	\$ 1,287,457

THE CORPORATION OF THE TOWNSHIP OF BLACK RIVER-MATHESON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

20. **Garbage collection Schedule of Operations and Continuity of Reserve**

This schedule is not prepared according to PSAB accounting rules. It is operational. It excludes depreciation, includes capital revenue and expenses, and includes proceeds and repayments of long-term debt.

	2018	2017
Revenue		
User fees and service charges	\$ 62,054	\$ 61,816
 Expenditures		
Garbage collection contracts	56,023	56,196
Annual surplus – transferred to reserve	6,031	5,620
Reserve, beginning of year	27,580	21,960
Reserve, end of year	\$ 33,611	\$ 27,580

THE CORPORATION OF THE TOWNSHIP OF BLACK RIVER-MATHESON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

21. **Library Board Schedule of Operations**

This schedule is not prepared according to PSAB accounting rules. It is operational. It excludes depreciation, includes capital revenue and expenses, and includes proceeds and repayments of long-term debt (if applicable).

	<u>2018</u>	<u>2017</u>
Revenue		
Municipal contributions	\$ 83,636	\$ 86,872
Province of Ontario – annual operating grant	7,995	7,995
Province of Ontario – other	11,332	1,056
User fees and service charges	7,972	6,821
Donations	608	1,494
Transfer from reserve	6,965	-
Total revenue	<u>118,508</u>	<u>104,238</u>
Expenditures		
Wages and benefits	61,658	62,136
Books, videos and computer software	11,139	8,985
Utilities and water	12,118	11,977
Office and computer	23,866	18,535
Insurance	1,309	1,233
Other	1,453	1,372
Capital expenses	6,965	-
Total expenditures	<u>\$ 118,508</u>	<u>\$ 104,238</u>

The library board has a reserve of \$3,035 (2017 \$6,500) designated for library purposes.

THE CORPORATION OF THE TOWNSHIP OF BLACK RIVER-MATHESON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

22. **Museum Committee Schedule of Operations**

This statement is not prepared according to PSAB. It is operational. It excludes depreciation, includes capital revenue and expenses, and includes proceeds and repayments of long-term debt.

	<u>2018</u>	<u>2017</u>
Revenue		
Municipal contributions	\$ 38,339	\$ 25,590
Admissions, memberships and other	40	185
Donations and fundraising	4,195	4,203
Federal grants – operating	-	1,539
Federal grants – capital	-	52,000
Total revenue	<u>42,574</u>	<u>83,517</u>
 Expenditures		
Wages and benefits	15,920	14,066
Materials and services	26,654	9,858
Capital expenses	-	106,343
Total expenditures	<u>42,574</u>	<u>130,267</u>
Annual surplus (deficit)	-	(46,750)
Transfer from working funds reserve	<u>2,500</u>	<u>23,000</u>
Reserve, beginning of year	<u>23,075</u>	<u>46,825</u>
Reserve, end of year	<u>\$ 25,575</u>	<u>\$ 23,075</u>

NOTICE TO READER

To the Members of Council, Inhabitants
and Ratepayers of the Corporation
of the TOWNSHIP OF BLACK RIVER-MATHESON:

On the basis of information provided by management, we have compiled the statement of financial position of the TRUST FUNDS of the Corporation of the TOWNSHIP OF BLACK RIVER-MATHESON as at December 31, 2018 and the statement of continuity for the year then ended.

We have not performed an audit or a review engagement in respect of these consolidated 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
August 13, 2019

Chartered Professional Accountants

(Unaudited – See Notice to Reader)

THE CORPORATION OF THE TOWNSHIP OF BLACK RIVER-MATHESON
TRUST FUNDS – CEMETERY PERPETUAL CARE
STATEMENT OF CONTINUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
Balance, beginning of year	\$ 186,935	\$ 182,420
Capital receipts	2,340	4,515
BALANCE, END OF YEAR	\$ 189,275	\$ 186,935

STATEMENT OF FINANCIAL POSITION**AS AT DECEMBER 31, 2018**

	2018	2017
FINANCIAL ASSETS		
Cash and short-term investments	\$ 190,865	\$ 185,058
Due from Township of Black River-Matheson	-	1,877
	190,865	186,935
LIABILITIES AND FUND BALANCE		
Due to Township of Black River-Matheson	1,590	-
Fund balance	189,275	186,935
	\$ 190,865	\$ 186,935

NOTES TO THE FINANCIAL STATEMENTS

1. **Accounting Policy**
The activities of the trust funds are reported on the cash basis with the exception of amounts due to the Corporation of the Township of Black River-Matheson.
2. Interest earned by the Cemetery Perpetual Care Fund is transferred directly to the Township bank account to fund current year operations and is not recorded in this statement.