
**CORPORATION OF THE TOWNSHIP OF
MATACHEWAN**

**CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 & 2018**

CORPORATION OF THE TOWNSHIP OF MATACHEWAN

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YEARS ENDED DECEMBER 31, 2019 & 2018

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Township of Matachewan (the "Municipality") for the year ended December 31, 2019 are the responsibility of the Municipality'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 is described in Note 2 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

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

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

Signature

Signature

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Independent auditor's report

To the Members of Council, Inhabitants and Ratepayers of Corporation of the Township of Matachewan

Opinion

We have audited the consolidated financial statements of Corporation of the Township of Matachewan, which comprise the statement of financial position as at December 31, 2019, and the consolidated statements of operations and accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and notes to the consolidated 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 Corporation of the Township of Matachewan as at December 31, 2019, and its financial performance and its 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 consolidated 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 municipality'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 municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the municipality's financial reporting process.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated 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 consolidated 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 Municipality'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 Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.



Kirkland Lake, Canada
February 10, 2021

**Chartered Professional Accountants
Licensed Public Accountants**

CORPORATION OF THE TOWNSHIP OF MATACHEWAN**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT DECEMBER 31**

	2019	2018
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 1,539,295	\$ 3,168,682
Taxes receivable	1,158,429	190,306
Accounts receivable	823,108	273,435
Other current assets	86,306	37,845
TOTAL FINANCIAL ASSETS	\$ 3,607,138	\$ 3,670,268
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,451,773	\$ 1,401,363
Deferred revenue	57,103	45,599
Landfill closure and post-closure liability (Note 6)	13,581	13,581
TOTAL FINANCIAL LIABILITIES	1,522,457	1,460,543
NET FINANCIAL ASSETS	2,084,681	2,209,725
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	10,705,885	9,314,029
ACCUMULATED SURPLUS (Note 11)	\$ 12,790,566	\$ 11,523,754

CONTINGENT LIABILITIES AND COMMITMENTS (Note 8)

Approved by:

 Mayor

 Councilor

CORPORATION OF THE TOWNSHIP OF MATACHEWAN
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
YEARS ENDED DECEMBER 31

	-----2019-----		
	Actual	Budget (Note 12)	2018 Actual
REVENUES			
OPERATING REVENUES			
Municipal taxation	\$ 1,366,412	\$ 1,362,550	\$ 1,336,308
Water user fees	101,666	100,200	95,259
User charges	95,931	54,260	213,452
Rents	25,471	28,055	22,545
Provincial government transfers	953,414	451,900	388,315
Federal government transfers	469,310	534,000	140,248
Investment income	54,122	50,000	37,487
Penalties and interest on taxes and water bills	30,468	23,500	35,758
Provincial Offences Act revenues	3,471	5,000	3,607
Donations	2,525	1,500	20,864
Other	10,217	9,000	7,376
	3,113,007	2,619,965	2,301,219
EXPENSES			
General government	580,846	505,885	161,692
Protection to persons and property	203,154	195,651	160,217
Transportation services	373,028	268,340	295,133
Environmental services	450,254	179,365	352,917
Health services	54,110	40,550	50,406
Social and family services	14,844	11,800	11,582
Social housing	18,692	16,600	16,627
Recreation and cultural services	130,954	107,774	112,463
Planning and development	20,313	18,000	37,086
TOTAL EXPENSES	1,846,195	1,343,965	1,198,123
ANNUAL SURPLUS	1,266,812	1,276,000	1,103,096
ACCUMULATED SURPLUS, beginning of year	11,523,754	11,523,754	10,420,658
ACCUMULATED SURPLUS, end of year (Note 11)	\$ 12,790,566	\$ 12,799,754	\$ 11,523,754

CORPORATION OF THE TOWNSHIP OF MATACHEWAN

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

YEARS ENDED DECEMBER 31

	-----2019-----		2018 Actual
	Actual	Budget (Note 12)	
ANNUAL SURPLUS	\$ 1,266,812	\$ 1,276,000	\$ 1,103,096
Acquisition of tangible capital assets	(1,869,000)	(1,276,000)	(1,310,721)
Amortization of tangible capital assets	477,144	-	321,931
CHANGE IN NET FINANCIAL ASSETS	(125,044)	-	114,306
NET FINANCIAL ASSETS, beginning of year	2,209,725	2,209,725	2,095,419
NET FINANCIAL ASSETS, end of year	\$ 2,084,681	\$ 2,209,725	\$ 2,209,725

CORPORATION OF THE TOWNSHIP OF MATACHEWAN

CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31

	2019	2018
OPERATING TRANSACTIONS		
ANNUAL SURPLUS	\$ 1,266,812	\$ 1,103,096
ADJUSTMENT FOR NON-CASH ITEMS:		
Amortization of tangible capital assets	477,144	321,931
USES:		
Increase in taxes receivable	(968,123)	-
Increase in accounts receivable	(549,673)	(82,586)
Increase in other current assets	(48,461)	(37,845)
Decrease in deferred revenue	-	(1,707)
	177,699	1,302,889
SOURCES:		
Decrease in taxes receivable	-	1,025,700
Increase in accounts payable and accrued liabilities	50,410	857,415
Increase in deferred revenue	11,504	-
	61,914	1,883,115
CASH PROVIDED BY OPERATING ACTIVITIES	239,613	3,186,004
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(1,869,000)	(1,310,721)
CASH APPLIED TO CAPITAL ACTIVITIES	(1,869,000)	(1,310,721)
FINANCING ACTIVITIES		
Land fill closure and post-closure costs	-	11,531
CASH APPLIED TO FINANCING ACTIVITIES	-	11,531
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,629,387)	1,886,814
CASH AND CASH EQUIVALENTS, beginning of year	3,168,682	1,281,868
CASH AND CASH EQUIVALENTS, end of year	\$ 1,539,295	\$ 3,168,682

CORPORATION OF THE TOWNSHIP OF MATACHEWAN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 & 2018

1. NATURE OF OPERATIONS

The Corporation of the Township of Matachewan ("the Township") is a single tier township situated in Northeastern Ontario. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act 2001, Municipal Affairs Act, Provincial Offences Act and other related legislation.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Township are the representations of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. The more significant of the accounting policies are summarized below.

(a) REPORTING ENTITY

(i) Consolidated Entities

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity and include the activities of all committees of Council, municipal enterprises and utilities which are under the control of the Council and the Township as listed below:

Waterworks System

All interfund assets and liabilities, revenues and expenses have been eliminated in these consolidated financial statements.

(ii) Non-consolidated Entities

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

Timiskaming Health Unit
District of Timiskaming Social Services Administration Board

Separate audited financial statements have been prepared for the above boards.

Timiskaming Municipal Building Association Chief Building Officer

The Timiskaming Municipal Building Association Chief Building Officer is a joint cost sharing arrangement for 20 municipalities. The operations of this board are not proportionately consolidated into these consolidated financial statements as they are not considered to be significant to the statements. Building Permit revenues are transferred to this organization.

(iii) Accounting for School Board Transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these consolidated financial statements.

(iv) Trust Funds

Trust funds and their related operations administered by the Township are not included in these consolidated financial statements.

CORPORATION OF THE TOWNSHIP OF MATACHEWAN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2019 & 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) BASIS OF ACCOUNTING

(i) Taxes Revenues

The authority to levy and collect property taxes is established under the Municipal Act, 2001, the Assessment Act, the Education Act, and other legislation.

The amount of the total annual property tax levy is determined each year through Council's approval of the annual operating and capital budgets. Municipal tax rates are set annually by Council for each property tax class, in accordance with legislation and Council approved policies, in order to raise the revenues required to meet budget requirements. Education tax rates are established each year by the Province of Ontario in order to fund the costs of education on a Province-wide basis.

Property assessments, on which property taxes are based, are established by the Municipal Property Assessment Corporation ("MPAC"), a not-for-profit corporation funded by all municipalities in Ontario. The current value assessment ("CVA") of a property represents the estimated market value of a property as of a fixed date. Assessed values for all properties within the Township are provided to the Township by way of returned assessment rolls in December of each year.

The amount of property tax levied on an individual property is the product of the CVA of the property and the rate for the class, together with any adjustments that reflect Council approved mitigation or other tax policy measures.

Taxation revenue is initially recorded at the time assessment information is received from MPAC and is subsequently adjusted based on management's best estimate of the amount of tax revenue resulting from assessment adjustments that have not yet been received from MPAC. Additional property tax revenue can be added throughout the year, related to new properties that become occupied or that become subject to property tax, after the return of the annual assessment roll used for billing purposes. Property taxes for these supplementary/omitted amounts are then billed according to the approved tax rates for the property class. Taxation revenues in any year may also be reduced as a result of reductions in assessment values resulting from assessment and/or tax appeals. Each year, an amount is identified within the annual operating budget to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals or other deficiencies in tax revenues (eg. uncollectible amounts, write-offs). Properties vesting to the Township are expensed in the year they vest and are not included in inventory.

In Ontario, annual property tax increases for the properties within the commercial, industrial, and multi-residential tax classes have been subject to limitations since 1998. Legislation and regulations have been in place to restrict the maximum allowable year-over-year increase in order to mitigate dramatic tax increases due to changes in assessed values.

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.

(ii) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and highly liquid investments with original maturity of 90 days or less as at the end of the year.

(iii) Accounts Receivable and User Charges Receivable

Accounts receivable and user charges receivable are reported net of any allowance for doubtful accounts.

CORPORATION OF THE TOWNSHIP OF MATACHEWAN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2019 & 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) Inventories

Inventories of goods and supplies not held for resale by the Township are not viewed as financial assets and have, therefore, been included as expenses in the period they are acquired in the Consolidated Statement of Operations.

(v) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of an asset. Tangible capital assets received as contributions are recorded at their fair market value at the date of receipt and are recorded as revenue in the year of contribution. Certain tangible capital assets for which historical cost information is not available have been recorded at current fair market values discounted by a relevant inflation factor. Certain assets are disclosed at a nominal value as the determination of current fair market value was not available. The Township does not capitalize interest charges as part of the cost of its tangible capital assets.

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

General capital:

Land	no amortization
Land improvements	25 years
Buildings and leasehold improvements	50 years
Equipment	10 years
Furniture and fixtures	10 years
Vehicles	20 years
Signage	10 years

Infrastructure:

Roads, streets & bridges	7 to 30 years
Underground networks	50 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 put into service.

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, as, collectively, they have significant value, or for operational purposes.

Certain assets which have historical or cultural value including works of art, historical documents as well as historical and cultural artifacts are not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made. Intangibles, Crown lands that have not been purchased by the Township, forests, water, and other natural resources are not recognized as tangible capital assets.

(vi) Deferred Revenue

Certain amounts are received pursuant to legislation, regulation, or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

CORPORATION OF THE TOWNSHIP OF MATACHEWAN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2019 & 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(vii) Reserves and Reserve Funds

Certain amounts, as approved by Municipal Council, are set aside in reserves and reserve funds for future current and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved.

(viii) Government Transfers

Government transfers are transfers from senior levels of government that are not the result of an exchange transaction. Government transfers are recognized in the fiscal year during which events giving rise to the transfer occur, provided the transfers are authorized, eligibility criteria and stipulations have been met and reasonable estimates of the amounts can be made.

(ix) Fees and User Charges

Fees and user charges relate mainly to water charges, fees for use of various programming and fees imposed based on specific activities. Revenue is recognized when the activity is performed or when the services are rendered.

(x) Use of Estimates and Measurement Uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions on such areas as tangible capital assets' historical costs, estimated useful life and related amortization, allowances for uncollectible taxes and receivables and landfill closure and post closure costs. These estimates and assumptions are based on the Township's best information and judgment. Actual results could differ significantly from these estimates.

(xi) Consolidation of Government Business Enterprises

Government Business Enterprises (GBE) are accounted for by the modified equity method. Under the modified equity method the Township recognizes the original cost of the investment (equal to the purchase cost of the investment) in the Consolidated Statement of Financial Position. The investment is adjusted for the Township's proportionate share of the earnings (losses) and any impairments in the value of the investment. The Township's share of the GBE's net income is recognized in the Consolidated Statement of Operations.

3. OPERATIONS OF SCHOOL BOARDS

During the year, the Township collected and remitted property taxes on the school boards' behalf as follows:

	2019	2018
Amounts collected on behalf of school boards	\$ 296,343	\$ 290,630
Payments remitted	296,343	135,737
Amounts owing to school boards (included in accounts payable)	\$ -	\$ 154,893

CORPORATION OF THE TOWNSHIP OF MATACHEWAN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2019 & 2018

4. CONTRIBUTIONS TO NON-CONSOLIDATED JOINT LOCAL BOARDS

Further to Note 2(a)(ii), contributions were made by the Township to the non-consolidated joint local boards as follows:

	2019	2018
Timiskaming Health Unit ("THU")	\$ 13,583	\$ 13,731
District of Timiskaming Social Services Administration Board ("DTSSAB")	\$ 58,721	\$ 50,249

The Township is contingently liable for its share, which is approximately 2% (2018 - 2%) for the DTSSAB and an estimated 2% (2018 - 2%) for the THU, of any accumulated deficits at the end of the year for these boards. The Township's share of the accumulated deficits of these boards has not been determined at this time.

No long-term liabilities have been issued by other municipalities for these boards. The Township is also contingently liable for its share of the long-term liabilities issued by other municipalities for these boards.

5. TRUST FUNDS

Trust funds administered by the Township amounting to \$26,033 (2018 - \$24,691) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations. The trust funds are reported separately in the Township of Matachewan's Trust Funds Statement of Continuity and Trust Funds Balance Sheet.

6. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Landfill closure and post-closure care requirements are outlined in the Certificate of Approval filed with the Ministry of the Environment and Energy. Closure will involve capping of the site with a compacted impermeable clay layer, a layer of topsoil, the re-introduction of a vegetative cover and the construction of surface drainage controls. Post-closure care will involve routine inspections, cap maintenance, groundwater and weir sampling and analysis. In 2013, a study was done by an engineering firm to determine the life expectancy on the Matachewan landfill. At that time the landfill was estimated to last another 96 years.

The reported liability is based on estimates and assumptions with respect to events extending over a 90 year period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

Estimated total expenditures represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at a rate of 2.5%.

Total landfill closure and post-closure care expenditures are estimated at \$353,578 (2018 - \$353,578). The estimated liability for these expenditures is recognized as the landfill site's capacity is used. To date, approximately 28% (2018 - 28%) of the site's capacity has been used. Therefore, as at December 31, 2019 an amount of \$13,581 (2018 - \$13,581) is reported as a liability on the Consolidated Statement of Financial Position.

The estimated remaining capacity of the landfill site is 72% (46,516 cubic metres) (2018 - 72% (46,516 cubic metres)) of its total estimated capacity and its estimated remaining life is 81 years (2018 - 81 years), after which the period for post-closure care is estimated to be 30 years.

CORPORATION OF THE TOWNSHIP OF MATACHEWAN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2019 & 2018

7. PENSION AGREEMENT

The Municipality makes contributions to the Ontario Municipal Employee Retirement Fund (OMERS), which is a multi employer plan, on behalf of certain members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2019. The results of this valuation disclosed total actuarial liabilities of \$107,687 million with respect to benefits accrued for service with actuarial assets at that date of \$104,290 million indicating an actuarial deficit of \$3,397 million. Because OMERS is a multi employer plan, any Plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Township does not recognize any share of the Plan surplus or deficit. The Township's contributions equal the employee contributions to the plan. During the year ended December 31, 2019, the Township contributed \$23,205 (2018 - \$42,230) to the plan. As this is a multi-employer pension plan, these contributions are the Township's pension benefit expenses. No pension liability for this type of plan is included in the Township's consolidated financial statements.

8. CONTINGENT LIABILITIES AND COMMITMENTS

(a) NON-CONSOLIDATED ENTITIES

The Township is contingently liable for the deficits and long term debt of the non-consolidated entities (See Note 4).

(b) LIABILITY FOR VESTED SICK LEAVE BENEFITS

Under the Township's sick leave benefit plan, 50% of unused sick leave can be accumulated by full-time employees annually to a maximum of 72 days. Employees are entitled to a cash payment of 50% of the accumulated amount when they leave the employment of the Township. This amount has been accrued in the records of the Township.

(c) PROPERTY ASSESSMENT APPEAL

A large industrial taxpayer has filed an appeal with the Municipal Property Assessment Corporation (MPAC) to appeal the assessment value of several properties within the Township. If the taxpayer were to win the appeal, the Township could be responsible to repay previously collected property taxes going back to 2011. The amount of taxes to repay could be significant to the Township but no amount can be reasonably estimated at this time. The outcome of the appeal is also unknown.

CORPORATION OF THE TOWNSHIP OF MATACHEWAN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2019 & 2018

8. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

(d) ONTARIO CLEAN WATER AGENCY

In accordance with a service agreement entered into by the Municipality with the Ontario Clean Water Agency, the existing Water Treatment Plant is operated by the Agency. The Municipality is obligated to meet all operating costs and repay the long-term liabilities related to this project.

Included in the Consolidated Statement of Operations are the 2019 charges from the Agency in the amount of \$78,176 (2018 - \$73,160).

(f) RECYCLING CONTRACT

The recycling program is operated by the contractor in accordance with a service agreement entered into by the Township. The term of the contract commenced on December 1, 2017 and will expire December 31, 2022. Under the terms of the contract, the contractor will collect recyclable materials from 250 households at the tendered price of \$5.05 per household bi-weekly. Should the number of households increase during the term of the contract, the payout will be adjusted accordingly. In the event that the cost of gas increase beyond \$1.50/liter the rate per household will be renegotiated. Profits from the sale of the recycled materials will be shared between the contractor and the Township on a 50/50 basis.

(g) LITIGATION

The Municipality has been sued for damages in the amount of \$5,000,000. The Municipality has filed a counter claim. The likelihood and extent of loss, if any, is not yet determinable. As such management has not accrued any liability in these financial statements for this claim.

9. FINANCIAL INSTRUMENTS

(a) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, taxes receivable, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the short-term maturities of these instruments.

(b) CREDIT RISK

The Township does not have significant exposure to any individual or party due to the fact that municipalities can obtain liens on properties for any unpaid realty taxes. An allowance for doubtful accounts is established based upon factors surrounding the risk related to specific ratepayers, historical trends and other information. The Township has an allowance for doubtful taxes receivable account in the amount of \$50,000 (2018 - \$50,000) as well as an allowance for doubtful accounts receivable in the amount of \$NIL (2018 - \$NIL).

(c) INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Township manages exposure through its normal operating and financing activities.

CORPORATION OF THE TOWNSHIP OF MATACHEWAN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2019 & 2018

10. SEGMENT DISCLOSURE

The Corporation of the Township of Matachewan is a diversified government institution that provides a wide range of services directly or by contract to its ratepayers.

For management reporting purposes the Township's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Administration and Other Services

General government consists of the activities of Council and general financial and administrative management of the Township and its programs and services. It also includes management of planning and zoning, commercial, industrial and residential development.

Social and Family Services

Social and Family services are provided under Legislation by the District of Timiskaming Social Services Administration Board. The Township makes contributions to the costs of the programs provided by the Boards.

Protection to Persons and Property and Health Services

Police services to the Township are provided by agreement with the Ontario Provincial Police. The Township also provides Fire Protection services by way of a volunteer Fire Department. They provide fire suppression, fire prevention and education programs to the residents. Health services are provided by the Timiskaming Health Unit

Public Works Services

The Public Works department provides winter and summer maintenance of roads and sidewalks, as well as maintaining all Township vehicles and equipment and providing some building maintenance services to Township facilities. Winter works include snow plowing and sanding and salting of streets and sidewalks. Summer maintenance includes street sweeping and grass cutting and maintenance of trees and road repairs.

Environmental Services

The Public works department also is responsible for the water supply and distribution system and the wastewater collection. This service is provided under contract with the Ontario Clean Water Agency who oversee both operations. The Public Works department is responsible for maintenance of the system which includes repair of water and sewer mains and fire hydrants, service connections and manholes.

The Public Works department, also operates solid waste collection and manages the Township's waste disposal site.

Recreation and Cultural Services

The Township maintains Playgrounds, open spaces and a multi use Community Centre and provides citizens of all ages with recreation programs using volunteers and Students. The township also operates a Tourist Centre using students during the Summer months and in conjunction with the Matachewan Library Board operates a Municipal Library year round.

Planning and Development

This function manages planning and zoning, commercial, industrial and residential development.

CORPORATION OF THE TOWNSHIP OF MATACHEWAN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2019 & 2018

10. SEGMENT DISCLOSURE (CONTINUED)

For each reported segment expenses are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of amounts that are directly attributable to the segment and amounts that are allocated on segmented financial information. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2.

11. ACCUMULATED SURPLUS

	2019	2018
Reserves and reserve funds		
Working capital	\$ 546,168	\$ 546,168
Parkland/Recreation	24,714	750
Waterworks	131,452	131,452
Landfill	100,000	100,000
Roads	905,363	905,363
Emergency	100,000	100,000
Development	37,845	37,845
General operating	1,845,542	1,821,578
Other		
Current surplus	252,720	401,728
Invested in tangible capital assets	10,705,885	9,314,029
Unfunded amount - landfill closure and post closure	(13,581)	(13,581)
Accumulated surplus	\$ 12,790,566	\$ 11,523,754

12. BUDGET AMOUNTS

The budget adopted for the current year was prepared on a modified accrual basis, and has been restated to conform with the accounting and reporting standards applicable to the actual results. A reconciliation of the adopted and reported budgets is presented below.

	Budget
Annual surplus	\$ 1,276,000
Adjustments:	
Net transfers from (to) reserves	-
Capital asset expenditures	(1,276,000)
Amortization	-
Change in long-term debt	-
Total adjustments	(1,276,000)
ADOPTED BUDGET	\$ -

CORPORATION OF THE TOWNSHIP OF MATACHEWAN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2019 & 2018

13. INVESTMENT IN ENERGIE MATACHEWAN ENERGY INC.

Energie Matachewan Energy Inc. (EMEI) is a municipally owned government business enterprise. The corporation owns, administers and manages solar power generating projects for the purpose of generating, transmitting, distributing and retailing electricity. The Township owns a 50% ownership stake in the common shares of EMEI.

Financial statements are prepared using International Financial Reporting Standards.

STATEMENT OF FINANCIAL POSITION

	2019	2018
ASSETS		
Cash	\$ 441,513	\$ 15
Accounts receivable and refundable deposits	747,367	300,226
Prepaid expenses	20,254	3,848
Refundable deposits	-	5,000
Property and equipment	6,171,716	2,645,003
Future payment in lieu of taxes	42,430	6,538
Due from related parties	50	50
TOTAL FINANCIAL ASSETS	\$ 7,423,330	\$ 2,960,680
LIABILITIES		
Accounts payable and accrued liabilities	\$ 144,550	\$ 79,335
Due to related parties	3,441,305	2,927,012
Current portion of long-term debt	157,687	-
	3,743,542	3,006,347
Long-term debt	3,976,694	-
	7,720,236	3,006,347
CAPITAL DEFICIENCY		
CAPITAL STOCK	100	100
ACCUMULATED DEFICIT	(297,006)	(45,767)
TOTAL LIABILITIES AND EQUITY	\$ 7,423,330	\$ 2,960,680

CORPORATION OF THE TOWNSHIP OF MATACHEWAN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2019 & 2018

13. INVESTMENT IN ENERGIE MATACHEWAN ENERGY INC. (CONTINUED)

STATEMENTS OF LOSS AND ACCUMULATED DEFICIT

	2019	2018
SALES	\$ 199,192	\$ 9,073
COST OF SALES	3,685	1,832
GROSS MARGIN	195,507	7,241
EXPENSES		
Amortization	181,326	9,572
Insurance	11,264	7,671
Office and Internet	6,437	422
Interest and bank charges	195,473	2,244
Financing fees	-	5,000
Professional fees	72,508	5,246
Repairs and maintenance	15,630	478
TOTAL EXPENSES	482,638	30,633
OTHER INCOME	-	-
LOSS BEFORE INCOME TAXES	(287,131)	(23,392)
FUTURE PAYMENT IN LIEU OF TAXES RECOVERY	35,892	4,343
NET LOSS	\$ (251,239)	\$ (19,049)
ACCUMULATED DEFICIT, BEGINNING OF YEAR	\$ (45,767)	\$ (26,718)
ACCUMULATED DEFICIT, END OF YEAR	\$ (297,006)	\$ (45,767)
TOWNSHIP'S INVESTMENT	\$ 50	\$ 50

14. TEMPORARY LOANS

The Township has arranged a line of credit not to exceed \$1,000,000. The line of credit, authorized by a By-law, bears interest at prime plus .25%. As at December 31, 2019, the balance of the temporary loan is \$NIL (2018 - \$NIL).

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

CORPORATION OF THE TOWNSHIP OF MATACHEWAN

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

YEAR ENDED DECEMBER 31, 2019

	General Capital Assets							Infrastructure			Totals	
	Land	Land Improvements	Building and Leasehold Improvements	Equipment	Furniture and Fixtures	Vehicles	Signage	Roads, Streets and Bridges	Underground Networks	Water Tower	2019	2018
Cost												
Opening costs	\$ 253,257	\$ 444,932	\$ 2,099,981	\$ 1,359,489	\$ 113,893	\$ 81,538	\$ 43,844	\$ 3,913,336	\$ 3,149,534	\$ 2,448,433	\$ 13,908,237	\$ 12,597,514
Additions/(disposals)	(1,038)	3,870	73,888	746,947	(12,784)	2,363	-	1,059,954	(1,837)	-	\$ 1,871,363	1,310,723
Closing costs	252,219	448,802	2,173,869	2,106,436	101,109	81,538	43,844	4,973,290	3,147,697	2,448,433	\$ 15,777,237	13,908,237
Accumulated Amortization												
Opening accum'd amortization	\$ -	\$ 27,411	\$ 676,677	\$ 291,748	\$ 95,186	\$ 31,546	\$ 27,742	\$ 2,143,413	\$ 1,145,808	\$ 154,677	\$ 4,594,208	\$ 4,272,277
Amortization/(writedowns)	-	8,470	41,637	202,415	785	(7,374)	2,654	108,242	67,460	52,855	\$ 477,144	321,931
Closing accum'd amortization	-	35,881	718,314	494,163	95,971	24,172	30,396	2,251,655	1,213,268	207,532	\$ 5,071,352	4,594,208
Net Book Value of Tangible Capital Assets	\$ 252,219	\$ 412,921	\$ 1,455,555	\$ 1,612,273	\$ 5,138	\$ 57,366	\$ 13,448	\$ 2,721,635	\$ 1,934,429	\$ 2,240,901	\$ 10,705,885	\$ 9,314,029

SCHEDULE 2

CORPORATION OF THE TOWNSHIP OF MATACHEWAN

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

DECEMBER 31, 2019

	Social and Family Services	Protection Services	Public Works Services	Environmental Services	Recreation and Cultural Services	Administration and Other Services	Consolidated
Revenues							
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,366,412	\$ 1,366,412
Sales of services and user fees	-	1,940	325	155,829	34,658	4,845	197,597
Government transfers	-	-	681,761	-	500,263	240,700	1,422,724
Other	-	3,471	-	6,986	-	115,814	126,271
	-	5,411	682,086	162,815	534,921	1,727,771	3,113,004
Expenditures							
Salaries & benefits	-	15,900	154,355	45,301	9,126	351,310	575,992
Materials	-	105,221	96,259	108,143	72,308	178,719	560,650
Contracted services	-	73,412	-	35,496	244	46,339	155,491
External transfers	33,536	38,769	-	-	-	4,314	76,619
Amortization	-	23,962	122,414	261,314	49,276	20,177	477,143
	33,536	257,264	373,028	450,254	130,954	600,859	1,845,895
Annual Surplus (Deficit)	\$ (33,536)	\$ (251,853)	\$ 309,058	\$ (287,439)	\$ 403,967	\$ 1,126,912	\$ 1,267,109

SCHEDULE 2 (CONTINUED)

CORPORATION OF THE TOWNSHIP OF MATACHEWAN

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

DECEMBER 31, 2018

	Social and Family Services	Protection Services	Public Works Services	Environmental Services	Recreation and Cultural Services	Administration and Other Services	Consolidated
Revenues							
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,336,308	\$ 1,336,308
Sales of services and user fees	-	67,061	-	250,494	18,671	68,275	404,501
Government transfers	-	-	-	-	-	528,563	528,563
Other	-	3,607	7,376	-	20,864	-	31,847
	-	70,668	7,376	250,494	39,535	1,933,146	2,301,219
Expenditures							
Salaries & benefits	-	14,426	120,637	39,208	10,679	258,747	443,697
Materials	-	68,229	88,425	60,891	60,039	(103,900)	173,684
Contracted services	-	73,813	-	93,526	577	24,215	192,131
External transfers	28,209	35,771	-	-	-	2,697	66,677
Amortization	-	18,384	86,071	159,292	41,168	17,016	321,931
	28,209	210,623	295,133	352,917	112,463	198,775	1,198,120
Annual Surplus (Deficit)	\$ (28,209)	\$ (139,955)	\$ (287,757)	\$ (102,423)	\$ (72,928)	\$ 1,734,371	\$ 1,103,099