
**CORPORATION OF THE TOWNSHIP OF
MATACHEWAN**

**CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 & 2011**

CORPORATION OF THE TOWNSHIP OF MATACHEWAN

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YEARS ENDED DECEMBER 31, 2012 & 2011

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AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the Corporation of the Township of Matachewan, which comprise the statement of financial position as at December 31, 2012 and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the Township of Matachewan as at December 31, 2012 and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Ross, Pope & Company LLP

Kirkland Lake, Ontario
May 28, 2013

CHARTERED ACCOUNTANTS
Licensed Public Accountants

CORPORATION OF THE TOWNSHIP OF MATACHEWAN**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT DECEMBER 31

	2012	2011
FINANCIAL ASSETS		
Cash	\$ 6,553	\$ -
Taxes receivable	119,486	99,694
Accounts receivable	516,958	822,868
TOTAL FINANCIAL ASSETS	\$ 642,997	\$ 922,562
LIABILITIES		
Bank overdraft	\$ -	\$ 106,839
Temporary loans (Note 9)	-	15,000
Accounts payable and accrued liabilities	83,803	232,998
Deferred revenue	21,000	36,000
TOTAL LIABILITIES	104,803	390,837
NET FINANCIAL ASSETS	\$ 538,194	\$ 531,725
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	\$ 3,573,021	\$ 3,183,874
	3,573,021	3,183,874
ACCUMULATED SURPLUS (Note 8)	\$ 4,111,215	\$ 3,715,599

COMMITMENTS (Note 6)

Approved by:

 Reeve

 CAO - Clerk / Treasurer

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

	-----2012-----		
	Actual	Budget (unaudited)	2011 Actual
REVENUES			
OPERATING REVENUES			
Municipal taxation	\$ 344,488	\$ 257,149	\$ 268,853
Water user fees	107,745	126,837	129,867
User charges	139,478	85,710	155,796
Rents	9,317	11,988	10,869
Provincial grants	348,666	431,552	349,327
Federal grants	70,277	191,656	1,500
Other grants	-	6,626	21,853
Investment income	1,333	-	7,553
Penalties and interest on taxes and water bills	30,011	6,000	12,075
Provincial Offences Act revenues	6,920	7,000	7,513
Land sales	-	99,000	8,646
Donations	69	500	10,158
Other	17,033	29,700	11,110
	1,075,337	1,253,718	995,120
CAPITAL REVENUES			
Provincial grants	317,507	95,000	1,081,493
Federal grants	23,006	118,006	627,551
	340,513	213,006	1,709,044
TOTAL REVENUES	1,415,850	1,466,724	2,704,164
EXPENDITURES			
CURRENT OPERATIONS			
General government	410,816	396,239	427,165
Protection to persons and property	81,950	149,203	87,343
Transportation services	113,654	143,330	74,295
Environmental services	165,113	121,286	111,839
Health services	41,983	46,833	38,446
Social and family services	45,401	42,400	42,146
Recreation and cultural services	66,655	27,712	85,887
Planning and development	94,662	3,300	73,940
	1,020,234	930,303	941,061
TOTAL EXPENDITURES	1,020,234	930,303	941,061
ANNUAL SURPLUS	395,616	536,421	1,763,103
ACCUMULATED SURPLUS, BEGINNING OF YEAR	3,715,599	3,715,599	1,952,496
ACCUMULATED SURPLUS, END OF YEAR (Note 8)	\$ 4,111,215	\$ 4,252,020	\$ 3,715,599

See accompanying notes.

CORPORATION OF THE TOWNSHIP OF MATACHEWAN

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

YEARS ENDED DECEMBER 31

	2012 Actual	2012 Budget (unaudited)	2011 Actual
ANNUAL SURPLUS	\$ 395,616	\$ 536,421	\$ 1,763,103
Acquisition of tangible capital assets	(496,793)	(536,421)	(1,696,257)
Amortization of tangible capital assets	107,649	-	58,059
	(389,144)	(536,421)	(1,638,198)
CHANGE IN NET FINANCIAL ASSETS	6,472	-	124,905
NET FINANCIAL ASSETS, BEGINNING OF YEAR	531,725	531,725	406,820
NET FINANCIAL ASSETS, END OF YEAR	\$ 538,197	\$ 531,725	\$ 531,725

CORPORATION OF THE TOWNSHIP OF MATACHEWAN**CONSOLIDATED STATEMENT OF CASH FLOWS**

YEARS ENDED DECEMBER 31

	2012	2011
OPERATING TRANSACTIONS		
ANNUAL SURPLUS	\$ 395,616	\$ 1,763,103
USES:		
Increase in taxes receivable	(19,792)	(20,585)
Increase in accounts receivable	-	(565,030)
Decrease in accounts payable and accrued liabilities	(149,195)	-
Decrease in deferred revenue	(15,000)	(179,761)
	(183,987)	(765,376)
SOURCES:		
Decrease in accounts receivable	305,910	-
Increase in accounts payable and accrued liabilities	-	80,689
Amortization of tangible capital assets	107,649	58,059
	413,559	138,748
NET INCREASE IN CASH FROM OPERATING TRANSACTIONS	625,188	1,136,475
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(496,793)	(1,696,257)
NET DECREASE IN CASH FROM CAPITAL TRANSACTIONS	(496,793)	(1,696,257)
FINANCING		
Temporary loans advance	(15,000)	15,000
NET INCREASE (DECREASE) FROM FINANCING TRANSACTIONS	(15,000)	15,000
NET CHANGE IN CASH	113,395	(544,782)
CASH, beginning of year	(106,839)	437,943
CASH (BANK OVERDRAFT), end of year	\$ 6,556	\$ (106,839)

CORPORATION OF THE TOWNSHIP OF MATACHEWAN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 & 2011

1. NATURE OF OPERATIONS

The Corporation of the Township of Matachewan is a 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 council 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 Canadian Institute of Chartered Accountants as prescribed for Ontario municipalities by the Ministry of Municipal Affairs. The more significant of the accounting policies are summarized below.

The focus of PSAB financial statements is on the financial position of the Municipality and the changes thereto. The Consolidated Statement of Financial Position reports the assets and liabilities of the Municipality. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. 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 expenditures, provides the change in net financial assets for the year.

(a) BASIS OF CONSOLIDATION

(i) Consolidated Entities

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, reserves and changes in investment in tangible capital assets of the Current Fund, Capital Fund, Reserves and Reserve Funds, and include the activities of all committees of Council, municipal enterprises and utilities which are under the control of the Council and Township as listed below:

Waterworks System

All interfund assets and liabilities and sources of financing and expenditures 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. Although these are joint local boards they are 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.

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 statements as they are not considered to be significant to the statements. Building Permit revenues are transferred to this organization.

CORPORATION OF THE TOWNSHIP OF MATACHEWAN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2012 & 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(iii) 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 the municipal position of these financial statements.

(b) BASIS OF ACCOUNTING

(i) Taxes Receivable 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 Municipal 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. Taxation revenues are recorded at the time tax billings are issued. Assessments and the related property taxes, however, can be subject to appeal. Any tax adjustments that result from appeals are recorded when the result of the appeal process is 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.

(ii) Accounts Receivable and User Charges Receivable

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

(iii) 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 expenditures in the period they are acquired in the Consolidated Statement of Financial Activities.

(iv) 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 the assets. Donated assets are recorded at their estimated fair value upon acquisition. 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 Municipality does not capitalize interest charges as part of the cost of its tangible capital assets.

CORPORATION OF THE TOWNSHIP OF MATACHEWAN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2012 & 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The cost, 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 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, 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 municipality, forests, water, and other natural resources are not recognized as tangible capital assets.

(v) Deferred Revenue

The deferred revenue balance relates to one-time funding advanced by the Province of Ontario. The amount advanced relates to various capital projects. The amounts will be recognized as revenue when the matching expenditures are incurred.

(vi) 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.

(vii) Government Transfers

Federal and Provincial government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met (if any), and reasonable estimates of the amounts can be made.

CORPORATION OF THE TOWNSHIP OF MATACHEWAN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2012 & 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(viii) Use of Estimates

The preparation of these consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates. Significant areas requiring the use of management estimates relate to the determination of tangible capital assets historical cost, estimated useful life and related amortization, allowances for uncollectable taxes and receivables and landfill closure and post closure costs.

3. OPERATIONS OF SCHOOL BOARDS

Further to Note 2(a)(ii), during 2012, the Township collected property taxes on the school boards' behalf. The amounts collected and remitted are summarized below:

	2012	2011
Amounts collected and remitted on behalf of school boards	\$ 31,560	\$ 32,880

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:

	2012	2011
Timiskaming Health Unit ("THU")	\$ 14,080	\$ 12,076
District of Timiskaming Social Services Administration Board ("DTSSAB")	\$ 67,202	\$ 63,548

The Township is contingently liable for its share of any deficits at the end of the year for these boards. Neither board incurred a deficit in 2012 or 2011.

No long-term liabilities have been issued by other municipalities for these boards.

5. 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 2003, a study was done by an engineering firm to determine closure costs, post closure costs and life expectancy on the Matachewan landfill. At that time the landfill was estimated to last another 107 years. No liability has been recorded to date.

6. 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).

CORPORATION OF THE TOWNSHIP OF MATACHEWAN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2012 & 2011

6. CONTINGENT LIABILITIES AND COMMITMENTS (Cont'd)

(b) ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

All permanent, full-time employees of the Township are eligible to be members of the Ontario Municipal Employees Retirement Systems ("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 liability for this type of plan is recognized in the Township's financial statements.

(c) LIABILITY FOR VESTED SICK LEAVE BENEFITS

Under the municipality'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 employment. This amount has been accrued in the records of the municipality.

7. FINANCIAL INSTRUMENTS

(a) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash, taxes receivable, user charges receivable, accounts receivable, temporary loans 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 \$- (2011 - \$10,000) as well as an allowance for doubtful accounts receivable in the amount of \$35,615 (2011 - 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 (CONT'D)

YEARS ENDED DECEMBER 31, 2012 & 2011

8. ACCUMULATED SURPLUS

	2012	2011
Reserves, surpluses and deficits		
Working capital reserve	\$ 80,809	\$ 80,809
Parkland reserve	750	2,250
Capital surplus	-	-
Waterworks surplus	456,635	448,666
Net financial assets	538,194	531,725
Non-financial assets		
Invested in tangible capital assets	3,573,021	3,183,874
Accumulated surplus	\$ 4,111,215	\$ 3,715,599

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

Non-financial assets

Non-financial assets are not available to discharge existing liabilities. Amounts invested in tangible capital assets 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 (Debt) for the year.

9. TEMPORARY LOANS

The Municipality has arranged a line of credit not to exceed \$1,000,000. The line of credit, authorized by a By-law and bears interest at prime plus .25%. As at December 31, 2012, the balance of the temporary loan is \$NIL (2011 - \$15,000).

CORPORATION OF THE TOWNSHIP OF MATACHEWAN

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

DECEMBER 31, 2012

	General Capital Assets						Infrastructure			Totals		
	Land	Land Improvements	Building and Leasehold Improvements	Equipment	Furniture and Fixtures	Vehicles	Signage	Roads, Streets & Bridges	Underground Networks	Assets Under Construction	2012	2011
Cost												
Opening costs	\$ 16,460	\$ 11,420	\$ 1,377,404	\$ 170,946	\$ 84,360	\$ 20,558	\$ 25,035	\$ 1,941,586	\$ 909,737	\$ 1,819,609	\$ 6,377,115	\$ 4,680,888
Additions during the year	-	13,417	3,053	19,257	-	30	-	269,724	2,010,950	(1,804,730)	511,701	1,696,257
Closing costs	16,460	24,837	1,380,457	190,203	84,360	20,588	25,035	2,211,310	2,920,687	14,879	6,873,938	6,377,145
Accumulated Amortization												
Opening accum'd amortization	\$ -	\$ 1,371	\$ 426,459	\$ 34,130	\$ 84,360	\$ 15,000	\$ 9,000	\$ 1,941,586	\$ 673,205	\$ -	\$ 3,185,111	\$ 3,135,212
Amortization	-	993	27,418	17,207	-	279	2,504	8,991	58,414	-	115,806	58,059
Closing accum'd amortization	-	2,364	453,877	51,337	84,360	15,279	11,504	1,950,577	731,619	-	3,300,917	3,193,271
Net Book Value of Tangible Capital Assets	\$ 16,460	\$ 22,473	\$ 926,580	\$ 138,866	\$ 72,856	\$ 9,084	\$ 13,531	\$ 260,733	\$ 2,189,068	\$ 14,879	\$ 3,573,021	\$ 3,183,874

SCHEDULE 2

CORPORATION OF THE TOWNSHIP OF MATACHEWAN

CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT

DECEMBER 31, 2012

	Wages	Materials	Contracted Services	Rents and Financial Expenses	External Transfers	Amortization	2012	2011
General government	\$ 202,563	\$ 86,240	\$ 68,094	\$ 48,525	\$ -	\$ 5,394	\$ 410,816	\$ 427,165
Protection to persons and property	5,579	15,615	55,659	-	-	5,097	81,950	87,343
Transportation services	48,748	24,277	31,049	-	-	9,580	113,654	74,295
Environmental services	22,758	12,170	63,515	-	-	66,670	165,113	111,839
Health services	-	810	-	-	35,881	5,292	41,983	38,446
Social and family services	-	-	-	-	45,401	-	45,401	42,146
Recreation and cultural services	8,689	44,978	-	-	-	12,988	66,655	85,887
Planning and development	-	92,032	-	-	-	2,630	94,662	73,940
Total	\$ 288,337	\$ 276,122	\$ 218,317	\$ 48,525	\$ 81,282	\$ 107,651	\$ 1,020,234	\$ 941,061