

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWNSHIP OF CHATSWORTH**

Year ended December 31, 2016

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Consolidated Financial Statements

Year ended December 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Chatsworth:

We have audited the accompanying consolidated financial statements of The Corporation of the Township of Chatsworth ("the Entity"), which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statement 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 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.

Auditors' Responsibility

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

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



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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of the Township of Chatsworth as at December 31, 2016, and its consolidated results of operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

August 23, 2017
Waterloo, Canada

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Consolidated Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Financial assets:		
Cash and temporary investments (note 2)	\$ 4,500,184	\$ 3,002,825
Taxes receivable	1,296,289	1,323,588
Trade and other receivables	590,827	290,462
Long-term receivables (note 3)	28,114	39,815
	<u>6,415,414</u>	<u>4,656,690</u>
Financial liabilities:		
Accounts payable and accrued liabilities	1,257,774	773,581
Solid waste landfill closure and post closure liabilities (note 4)	112,879	77,179
Post-employment benefits (note 5)	32,755	44,341
Deferred revenue (schedule)	722,351	562,845
Long-term liabilities (note 6)	750,614	847,315
	<u>2,876,373</u>	<u>2,305,261</u>
Net financial assets	3,539,041	2,351,429
Non-financial assets:		
Inventory of supplies	172,714	266,403
Prepaid expenses	13,323	1,940
Tangible capital assets (note 7)	16,009,788	16,559,711
	<u>16,195,825</u>	<u>16,828,054</u>
Accumulated surplus (note 8)	<u>\$ 19,734,866</u>	<u>\$ 19,179,483</u>

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

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2016, with comparative information for 2015

	Budget	2016	2015
Revenue:			
Taxation	\$ 4,549,304	\$ 4,506,408	\$ 4,378,679
Fees and user charges	885,627	1,769,785	1,323,805
Government transfers (note 11)	917,886	1,071,986	1,320,684
Other income (note 12)	496,895	512,700	537,494
Total revenue	6,849,712	7,860,879	7,560,662
Expenses:			
General government	712,029	1,570,558	1,360,367
Protection services	1,619,813	1,536,531	1,551,659
Transportation services	2,883,692	2,128,430	1,759,485
Environmental services	756,605	1,167,296	1,158,742
Health services	27,137	26,056	22,490
Recreation and cultural services	754,871	805,454	800,970
Planning and development	95,565	71,171	90,159
Total expenses	6,849,712	7,305,496	6,743,872
Annual surplus (note 14)	-	555,383	816,790
Accumulated surplus, beginning of year	19,179,483	19,179,483	18,362,693
Accumulated surplus, end of year	\$ 19,179,483	\$ 19,734,866	\$ 19,179,483

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

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Annual surplus	\$ 555,383	\$ 816,790
Acquisition of tangible capital assets	(624,675)	(822,859)
Amortization of tangible capital assets	1,164,446	1,162,975
Loss on disposal of tangible capital assets	10,152	-
	549,923	340,116
Change in inventories of supplies	93,689	(161,720)
Change in prepaid expenses	(11,383)	1,362
	82,306	(160,358)
Increase in net financial assets	1,187,612	996,548
Net financial assets, beginning of year	2,351,429	1,354,881
Net financial assets, end of year	\$ 3,539,041	\$ 2,351,429

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

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Consolidated Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 555,383	\$ 816,790
Items not involving cash:		
Change in solid waste landfill liability	35,700	3,486
Change in post-employment benefits	(11,586)	(27,242)
Amortization	1,164,446	1,162,975
Deferred revenue recognized	-	(342,887)
Loss on disposal of capital assets	10,152	-
Net change in non-cash working capital items:		
Taxes receivable	27,299	14,248
Trade and other accounts receivables	(300,365)	75,805
Prepaid expenses	(11,383)	1,362
Inventory of supplies	93,689	(161,720)
Accounts payable and accrued liabilities	484,193	189,463
Deferred revenue received	159,506	222,558
	2,207,034	1,954,838
Capital transactions:		
Cash used to acquire capital assets	(624,675)	(822,859)
Investing activities:		
Payments on long-term receivables	11,701	11,038
Financing activities:		
Repayment of long-term liabilities	(96,701)	(96,038)
Net change in cash and cash equivalents	1,497,359	1,046,979
Cash and cash equivalents, beginning of year	3,002,825	1,955,846
Cash and cash equivalents, end of year	\$ 4,500,184	\$ 3,002,825

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

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Notes to Consolidated Financial Statements

Year ended December 31, 2016

1. Basis of accounting:

(a) Management Responsibility:

The consolidated financial statements of the Corporation of the Township of Chatsworth are the representation of management. They have been prepared in accordance with Canadian Public Sector Accounting standards established by Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing.

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Basis of consolidation:

These consolidated statements reflect the assets, liabilities, revenues and expenses of all municipal organizations, committees, and boards which are owned or controlled by Council. All interfund assets and liabilities and revenues and expenses have been eliminated on consolidation.

The following boards owned or controlled by Council have been consolidated:

Walter's Falls Community Centre
Holland Centre Ball Diamond Committee
Sullivan Community Centre (Desboro)
Williamsford Community Centre
Keady Community Centre
Chatsworth Cemetery Board
Desboro Cemetery Board
Hemstock Cemetery Board
Mt. Zion Cemetery Board
St. Mathias Cemetery Board

A government partnership exists where the municipality has shared control over the board or entity. The municipality's pro-rata share of the assets, liabilities, revenues and expenses are reflected in the financial statements using the proportionate consolidation method. The municipality's proportionate interest of the following government partnerships are reflected in the consolidated financial statements:

Chesley and District Fire Board	36.80%
Georgian Bluffs Chatsworth Biodigester	50.00%
Markdale Landfill	71.65%

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Notes to Consolidated Financial Statements

Year ended December 31, 2016

1. Basis of accounting (continued):

(c) Use of estimates:

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Estimates are used when accounting for items such as accrued grant receivables, accrued liabilities, post-employment benefits, solid waste landfill closure and post-closure costs and taxation revenue. By their nature, these estimates are subject to management uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future.

(d) Cash and cash equivalents:

Cash and cash equivalents include all cash balances and short-term highly liquid investments that are readily convertible into cash.

(e) Temporary investments:

Temporary investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

(f) Inventory of supplies:

Inventory held for consumption is recorded at the lower of cost and replacement cost. Cost is determined at weighted average cost.

(g) Long-term receivables:

Long-term receivables are recorded at cost.

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Notes to Consolidated Financial Statements, (continued)

Year ended December 31, 2016

1. Basis of accounting (continued):

(h) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization. Costs include all amounts that are directly attributable to acquisition, construction development or betterment of the asset. Amortization is provided over the estimated useful life of the assets, using the straight-line method. The useful life of the assets is based on estimates made by Council. The following rates are used:

Asset	Useful Life - Years
Roads - paved	3 to 25 years
Roads - gravel	40 years
Water and other utility systems	40 to 90 years
Buildings	40 years
Bridges and other structures	50 years
Vehicles	5 to 10 years
Equipment	5 to 20 years
IT Infrastructure	3 to 5 years

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

(i) Non-financial assets

Tangible capital and other non-financial assets are accounted for as assets by the organization because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the organization unless they are sold.

(j) Deferred revenue

Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of operations and accumulated surplus in the year in which it is used for the specified purpose.

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Notes to Consolidated Financial Statements, (continued)

Year ended December 31, 2016

1. Basis of accounting (continued):

(k) Post-employment benefits:

The municipality provides for a payout of a portion of the accrued sick days if an employee retires and has a specified number of years of service with the Township. The benefits earned by employees are determined using management's best estimate of expected benefit costs and are expensed as services are rendered.

The contributions to the Ontario Municipal Employers Retirement System ("OMERS"), a multi-employer defined benefit plan, are expensed when contributions are due.

(l) County and School Board:

The municipality collects taxation revenue on behalf of the school boards and the County of Grey. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the County of Grey are not reflected in these financial statements.

(m) Trust funds:

Funds held in trust by the municipality, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately on the trust funds statement of continuity and balance sheet.

(n) Revenue recognition:

Revenues are recognized as follows:

- (i) Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. Taxes receivable are recognized net of an allowance for anticipated uncollectible amounts.
- (ii) Fines and donations are recognized when collected.
- (iii) User fees and other revenues are recognized when related goods or services are provided and collectability are reasonably assured.
- (iv) Investment income earned on surplus funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is recorded directly to each fund balance.
- (iv) Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Notes to Consolidated Financial Statements, (continued)

Year ended December 31, 2016

2. Cash and temporary investments:

	2016	2015
Unrestricted cash	\$ 4,500,184	\$ 2,990,132
Temporary investments	-	12,693
	\$ 4,500,184	\$ 3,002,825

The Township of Chatsworth has undrawn credit facility of \$1,000,000 for operating purposes. Interest is calculated at prime minus .75%.

Temporary investments of \$12,693 consist of guaranteed investment certificates, earning interest between 0.75% and 3.91% annually.

3. Long-term receivables:

	2016	2015
Tile drainage loans, 8%, due 2016 to 2020	\$ 28,114	\$ 39,815

4. Solid waste landfill closure and post-closure liabilities:

Solid waste landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates, and ongoing environmental monitoring, site inspection and maintenance.

The liability for the landfill site is recorded at \$112,879 (2015 - \$77,179) and represents the present value of closure and post-closure costs for the Sullivan site and a 50% share of costs of the Markdale site, using the prime business rate of 3%. The liability is recorded based on 90% capacity of the Sullivan landfill used to date and 46% of the Markdale landfill used to date. The total estimated future expenses for closure and post-closure care are \$187,025 leaving an amount to be recognized of \$54,358. The estimated remaining capacity of the Sullivan site's opened cells are approximately 1,045 cubic metres, which will be filled in approximately 1 year. The estimated remaining capacity at the Markdale site 257,469 cubic metres, which will be filled 68 years. Monitoring will continue for a period of 20 year after the landfills are closed.

The Township has a general landfill reserve of \$51,000.

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Notes to Consolidated Financial Statements, (continued)

Year ended December 31, 2016

5. Post-employment benefits:

In 2014, the Township adopted a policy which provided for a payout of a portion of previously accrued sick days over a period of five years. Previously, the payout was only allowed if an employee retired and had a specified number of years of service with the Township.

	2016	2015
Sick time liability	\$ 32,755	\$ 44,341

During the year \$11,586 (2015 - \$27,242) was paid to employees.

6. Long-term liabilities:

The balance of long-term liabilities reported on the consolidated statement of financial position is made up of the following:

	2016	2015
Long-term debt payable to the Township of Georgian Bluffs, no interest, no specific terms of repayment	\$ 2,500	\$ 7,500
Tile drainage debentures payable, 8% due from 2016 to 2020	28,114	39,815
Demand loan payable, Bank of Montreal, prime, repayable in monthly instalments of \$6,667 plus interest	720,000	800,000
	\$ 750,614	\$ 847,315

In the absence of demand for repayment, estimated principal payments for the next 5 fiscal years and thereafter are as follows:

2017	\$ 92,403
2018	93,147
2019	81,244
2020	81,320
2021	80,000
Thereafter	322,500

Interest paid relating to the above long-term debt was \$23,484 (2015 - \$26,546).

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Notes to Consolidated Financial Statements, (continued)

Year ended December 31, 2016

7. Tangible capital assets:

	Land	Buildings	Equipment and Vehicles	Linear Assets	Total 2016
Cost					
Cost, beginning of year	\$ 473,974	\$ 7,039,530	\$ 6,215,701	\$ 30,395,588	\$ 44,124,793
Additions	-	108,911	416,800	98,964	624,675
Disposals	-	(13,851)	(8,378)	-	(22,229)
Cost, end year	473,974	7,134,590	6,624,123	30,494,552	44,727,239
Opening accumulated amortization					
Amortization	-	2,895,166	2,349,753	22,320,163	27,565,082
Disposals	-	166,657	257,040	740,749	1,164,446
Disposals	-	(5,156)	(6,921)	-	(12,077)
Transfers	-	-	-	-	-
Closing accumulated amortization,	-	3,056,667	2,599,872	23,060,912	28,717,451
Net carrying amount, end of year	\$ 473,974	\$ 4,077,923	\$ 4,024,251	\$ 7,433,640	\$ 16,009,788

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Notes to Consolidated Financial Statements, (continued)

Year ended December 31, 2016

7. Tangible capital assets (continued):

	Land	Buildings	Equipment and Vehicles	Linear Assets	Total 2015
Cost					
Cost, beginning of year	\$ 474,174	\$ 5,975,469	\$ 7,089,993	\$ 29,853,670	\$ 43,393,306
Additions	-	95,451	245,051	508,005	848,507
Disposals	-	-	(18,089)	(98,931)	(117,020)
Transfers	(200)	968,610	(1,101,254)	132,844	-
Cost, end year	473,974	7,039,530	6,215,701	30,395,588	44,124,793
Opening accumulated amortization					
Amortization	-	2,821,885	2,569,780	21,101,814	26,493,479
Disposals	-	166,029	341,215	655,731	1,162,975
Disposals	-	-	(18,089)	(73,283)	(91,372)
Transfers	-	(92,748)	(543,153)	635,901	-
Closing accumulated amortization,	-	2,895,166	2,349,753	22,320,163	27,565,082
Net carrying amount, end of year	\$ 473,974	\$ 4,144,364	\$ 3,865,948	\$ 8,075,425	\$ 16,559,711

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Notes to Consolidated Financial Statements, (continued)

Year ended December 31, 2016

7. Tangible capital assets (continued):

The net book value of tangible capital assets not being amortized because they are under construction is \$18,453 (2015 - \$14,189).

The municipality has recorded land, infrastructure and building assets at nominal amounts.

8. Accumulated surplus:

Accumulated surplus consists of individual fund surpluses and reserves as follows:

	2016	2015
Invested in tangible capital assets:		
Tangible capital assets at cost less amortization	\$ 16,009,788	\$ 16,559,711
Unfinanced capital assets	(432,442)	(277,356)
Capital assets financed by long-term liabilities and to be funded in future years	(722,500)	(807,500)
Total invested in capital assets	14,854,846	15,474,855
General	(94,920)	45,533
Unfunded vested sick leave payable	(4,837)	(16,422)
Unfunded solid waste closure and post-closure costs	(112,879)	(77,179)
Cemeteries	33,796	46,303
Recreation, community centres and arenas	35,728	37,632
Environmental	(210,678)	(204,212)
	14,501,056	15,306,510
Reserves and reserve funds (note 9)	5,233,810	3,856,507
Accumulated surplus	\$ 19,734,866	\$ 19,163,017

9. Reserves and reserve funds set aside for specific purpose by Council:

	2016	2015
Working funds	\$ 1,068,985	\$ 1,074,166
Capital purposes	4,164,825	2,782,341
	\$ 5,233,810	\$ 3,856,507

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Notes to Consolidated Financial Statements, (continued)

Year ended December 31, 2016

10. Budgets:

Under Canadian public sector accounting principles, budget amounts are to be reported on the consolidated statements of operations and accumulated surplus and changes in net financial assets for comparative purposes. The 2016 budget amounts for The Corporation of the Township of Chatsworth approved by Council have been reclassified to conform to the presentation of the consolidated statements of operations and accumulated surplus and changes in net financial assets. The following is a reconciliation of the budget approved by Council.

	2016 Actual	2015 Actual
Annual surplus (page 2)	\$ 555,383	\$ 816,790
Net budget transfers from reserves	(1,377,303)	(961,076)
Capital acquisitions, disposals and write-down	(624,675)	(822,859)
Amortization	1,164,446	1,162,975
Loss on disposal of tangible capital assets	10,152	-
Debt principal repayments	(85,000)	(85,000)
Change in unfunded liabilities	24,115	(23,756)
Change in other surpluses	187,796	(12,648)
Change in unfinanced amounts	95,686	(54,363)
	(49,400)	20,063
Change in sundry board unfinanced amounts	49,400	(20,063)
	\$ -	\$ -

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Notes to Consolidated Financial Statements, (continued)

Year ended December 31, 2016

11. Government transfers:

	2016	2015
Operating:		
Province of Ontario:		
Ontario Municipal Partnership Fund (OMPF):		
Sewer and water	\$ 723,200	\$ 827,400
Other	36,706	23,824
	271,378	66,737
	1,031,284	917,961
Other Municipalities:		
Other	11,614	11,614
Total operating transfers	1,042,898	929,575
Capital:		
Government of Ontario:		
Other	29,088	48,221
Government of Canada:		
Federal gas tax rebate	-	342,888
Total government transfers	\$ 1,071,986	\$ 1,320,684

12. Other income:

	2016	2015
Penalties and interest on taxation	\$ 198,054	\$ 264,611
Other fines and penalties	3,107	9,947
Investment income	34,198	21,088
Licenses, permits and rents	185,915	145,939
Donations	42,314	39,924
Sale of publications, equipment, etc.	10,222	20,308
Other	38,890	35,677
	\$ 512,700	\$ 537,494

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Notes to Consolidated Financial Statements, (continued)

Year ended December 31, 2016

13. Pension agreements:

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 26 members of its staff and councillors. This plan is a defined benefit plan which specifies the amount of the retirement to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan. The amount contributed by the municipality to OMERS for 2016 was \$122,243 (2015 - \$119,657).

OMERS is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2016. At that time, the plan reported a \$5.7 billion actuarial deficit (2015 - \$7.0 billion actuarial deficit), based on actuarial liabilities of \$87.0 billion (2015 - \$81.9 billion) and actuarial assets of \$81.3 billion (2015 - \$74.9 billion). Ongoing adequacy of the current contribution rate will need to be monitored as the fluctuations in the financial markets may lead to increased future funding requirements.

14. Government business partnerships:

The following summarizes the financial position and operations of the government business partnerships which have been reported in these financial statements using the modified equity method:

Georgian Bluffs Chatsworth Biodigester:

The Georgian Bluffs Chatsworth Biodigester is a joint board under the shared control of the Corporation of Township of Chatsworth and the Township of Georgian Bluffs. The consolidated financial statements include the municipality's 50% proportionate interest of the government business partnership:

	2016	2015
Financial assets	\$ 946,498	\$ 631,481
Liabilities	500,200	255,229
Net financial assets	446,298	376,252
Non-financial assets	3,321,886	3,443,443
Accumulated surplus	3,768,184	\$ 3,819,695
Revenues	584,865	\$ 494,181
Expenses	636,376	526,184
Annual surplus (deficit)	\$ (51,511)	\$ (32,003)

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Notes to Consolidated Financial Statements, (continued)

Year ended December 31, 2016

14. Government business partnerships (continued):

Markdale Landfill:

Markdale Landfill is a joint board under the shared control of the Township of Chatsworth and the Municipality of Grey Highlands. The consolidated financial statements include the municipality's 50% proportionate interest in capital items and a 71.65% (2015 - 71.65%) share of revenues and expenditures:

	2016	2015
Revenues	\$ 32,794	\$ 42,465
Expenses	70,411	92,344
Annual deficit	\$ (37,617)	\$ (49,879)

Chesley and District Fire Board:

Chesley and District Fire Board is a joint board under the shared control of the Township of Chatsworth and the Municipality of Arran-Elderslie. The consolidated financial statements include the municipality's proportionate 36.8% interest of the operations. The most recent results available for the Chesley and District Fire Board are as follows:

	2016	2015
Financial assets	\$ 46,290	\$ 60,726
Liabilities	46,290	66,329
Net debt	-	(5,603)
Non-financial assets	169,144	209,277
Accumulated surplus	\$ 169,144	\$ 203,674
Revenues	\$ 173,783	\$ 178,620
Expenses	208,313	234,518
Annual deficit	\$ (34,530)	\$ (55,898)

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Notes to Consolidated Financial Statements, (continued)

Year ended December 31, 2016

15. Operations of school boards and the County of Grey:

During the year, the following taxation revenue was raised and remitted to the school boards and the County of Grey.

	2016	2015
School boards	\$ 1,685,453	\$ 1,675,604
County of Grey	2,766,131	2,696,511
	<u>\$ 4,451,584</u>	<u>\$ 4,372,115</u>

16. Trust funds:

The trust funds administered by the municipality amount to \$99,903 (2015 - \$86,893) have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of financial activities. At December 31, 2016, the trust funds balances are as follows:

	2016	2015
Cemetery care and maintenance funds	\$ 99,903	\$ 86,893

17. Contractual commitments:

The Township of Chatsworth has entered into contracts for the provision of garbage pickup, recycling and water monitoring services. The cost to the municipality will be \$108,900 over the six months ending June 2017.

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Notes to Consolidated Financial Statements, (continued)

Year ended December 31, 2016

18. Contingencies:

- a) The Township of Chatsworth has been named in a lawsuit regarding an incident which took place at one of the community centres. The outcome of this action is undeterminable at this time. Management is of the opinion that the Township maintains adequate and appropriate liability and errors and omissions insurance to protect the municipality against the above claim.
- b) The Township insured errors and omissions and public liability insurance coverage through the Ontario Municipal Insurance Exchange (OMEX) up until December 31, 2006. OMEX is a separate pooling of the public liability insurance risks of its municipal members. All members are subject to assessment for losses, if any, experienced for the years in which they were members.

19. Amounts owing from Community Centre Boards:

In the preparation of the consolidated financial statements of the Township of Chatsworth the amounts receivable by the Township of Chatsworth from the controlled community centre boards were eliminated upon consolidation. For information purposes the amounts owed by the community centres to the Township of Chatsworth are as follows:

	2016	2015
Chatsworth Community Centre	\$ 143,322	\$ 150,656
Williamsford Community Centre	3,080	3,331
Sullivan Community Centre (Desboro)	67,293	62,293
Walter's Falls Community Centre	7,225	7,725
Keady Community Centre	90,433	45,283
	<u>\$ 311,353</u>	<u>\$ 269,288</u>

These amounts were incurred to cover capital projects and operating costs of the community centre boards. These loans have no specified terms of repayment.

20. Segmented information:

The Township of Chatsworth is a diversified municipal government institution that provides a wide range of services to its citizens such as police, fire, sewer and water services, waste collection, disposal and recycling, recreational, library and planning. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Notes to Consolidated Financial Statements, (continued)

Year ended December 31, 2016

20. Segmented information (continued):

a) General Government:

This segment includes the revenues and expenses that relate to the governance and operations of the municipality itself and cannot be directly attributed to a specific segment.

b) Protection to Persons and Property:

Protection is comprised of police services, fire protection, conservation, authority, emergency measures, animal control and building and structural inspection. The police services work to ensure the safety and protection of the citizens and their property. The fire department is responsible for providing fire suppression service, fire prevention programs, training and education. The members of the fire department consist of volunteers. The building department provides a number of services including maintenance and enforcement of building and construction codes and review of all property development plans through its application process.

c) Transportation:

Transportation is responsible for construction and maintenance of the municipality's roadways, bridges, and street lighting.

d) Environmental:

Environmental services consists of providing sewer and water services, waste collection, disposal and recycling to its citizens.

Environmental services also include a Biodigester which is a green energy project that digests organic material producing biogas used to run a generator and produce electrical power. The project will produce up to 2400 kWh per day on the power grid. The project includes a biodigester system, pasteurizer, biogas generator and pumphouse as well as associated septage screening, piping, roadways, storage and operation centre.

e) Health:

Health services includes the operations of local cemeteries.

f) Recreational and cultural services:

This service area provides services meant to improve the health and development of the municipality's citizens. The municipality operates and maintains parks, arenas, and community centres. The municipality also contributes to library services and recreational programs.

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Notes to Consolidated Financial Statements, (continued)

Year ended December 31, 2016

20. Segmented information (continued):

g) Planning and development:

This department is responsible for planning and zoning including the Official plan. This service area also includes tile drainage.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Amounts that are directly attributable to a number of segment have been allocated on a reasonable basis as follows:

Taxation, payments-in-lieu and penalties and interest

Allocated to those segments that are funded by these amounts based on the budget for the year.

OMPF grants

Allocated to segments based on the budget for the year.

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Notes to Consolidated Financial Statements, (continued)

Year ended December 31, 2016

20. Segmented information (continued):

	General Government	Protective Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	Total 2016
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue:								
Taxation	304,550	1,080,398	2,260,566	443,451	21,737	358,824	36,882	4,506,408
Fees and user charges	62,178	74,297	37,573	1,232,914	19	340,383	22,421	1,769,785
Specific grants	48,625	6,672	184,971	96,904	-	11,614	-	348,786
OMPF grant	48,875	173,385	362,781	71,166	3,488	57,586	5,919	723,200
Other income	236,658	204,261	2,878	16,620	3,653	46,610	2,020	512,700
	700,886	1,539,013	2,848,769	1,861,055	28,897	815,017	67,242	7,860,879
Expenses:								
Salaries and benefits	1,244,409	105,209	474,112	176,184	17,337	97,639	17,405	2,132,295
Interest on debt	-	-	-	-	-	-	2,389	2,389
Material and supplies	304,787	323,527	679,736	269,266	1,913	348,716	18,957	1,946,902
Contract services	-	1,054,394	115,389	555,125	6,806	256,729	32,420	2,020,863
Other transfers	-	-	-	-	-	9,722	-	9,722
Rents and financial expenses	546	-	-	20,460	-	7,873	-	28,879
Amortization	20,816	53,401	859,193	146,261	-	84,775	-	1,164,446
	1,570,558	1,536,531	2,128,430	1,167,296	26,056	805,454	71,171	7,305,496
Annual surplus (deficit)	(869,672)	2,482	720,339	693,759	2,841	9,563	(3,929)	555,383

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Notes to Consolidated Financial Statements, (continued)

Year ended December 31, 2016

20. Segmented information (continued):

	General Government	Protective Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	Total 2015
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue:								
Taxation	322,872	963,628	2,234,364	463,258	20,586	338,556	35,415	4,378,679
Fees and user charges	58,027	84,289	186,463	604,393	27	341,706	48,900	1,323,805
Specific grants	8,360	6,592	372,975	74,608	-	30,749	-	493,284
OMPF grant	61,010	182,088	422,208	87,538	3,890	63,974	6,692	827,400
Other income	312,797	124,545	11,745	21,670	6,346	57,906	2,485	537,494
Transfers from obligatory reserve	-	-	-	-	-	-	-	-
	763,066	1,361,142	3,227,755	1,251,467	30,849	832,891	93,492	7,560,662
Expenses:								
Salaries and benefits	935,938	254,816	398,241	181,464	14,423	90,854	40,272	1,916,008
Interest on debt	-	-	-	-	-	-	3,051	3,051
Material and supplies	404,178	254,466	533,668	234,991	949	354,625	5,407	1,788,284
Contract services	-	957,377	23,081	571,506	7,118	228,575	41,429	1,829,086
Other transfers	-	-	-	(6,620)	-	15,660	-	9,040
Rents and financial expenses	1,252	-	-	23,451	-	10,725	-	35,428
Amortization	18,999	85,000	804,495	153,950	-	100,531	-	1,162,975
	1,360,367	1,551,659	1,759,485	1,158,742	22,490	800,970	90,159	6,743,872
Annual surplus (deficit)	(597,301)	(190,517)	1,468,270	92,725	8,359	31,921	3,333	816,790

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Schedule of Deferred Revenue

Year ended December 31, 2016

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Obligatory reserve funds:					
Reserves:					
Recreational land	\$ 127,232	\$ 5,280	\$ 987	\$ (4,184)	\$ 129,315
Gas tax grant	305,643	198,188	1,906	-	505,737
	432,875	203,468	2,893	(4,184)	635,052
Other:					
Gravel pit rehabilitation	65,875	-	490	(2,450)	63,915
Unearned revenue	64,095	-	-	(40,711)	23,384
	129,970	-	490	(43,161)	87,299
Total	\$ 562,845	\$ 203,468	\$ 3,383	\$ (47,345)	\$ 722,351

Financial Statements of

**THE CORPORATION OF THE
TOWNSHIP OF CHATSWORTH**

Trust Funds

Year ended December 31, 2016

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Trust Funds Financial Statements

Year ended December 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Corporation of the Township of Chatsworth:

We have audited the accompanying financial statements for the trust funds of the Corporation of the Township of Chatsworth ("the Entity"), which comprise of the balance sheet as at December 31, 2016, the statement of continuity 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 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 is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 an 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, we consider 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.



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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the balance sheet for the trust funds of the Corporation of the Township of Chatsworth as at December 31, 2016, and the statement of continuity for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

August 23, 2017
Waterloo, Canada

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Trust Funds Balance Sheet

Year ended December 31, 2016

	Mt. Zion Care and Maintenance	Chatsworth Care and Maintenance	Cedardale Care and Maintenance	Hemstock Care and Maintenance	Desboro Care and Maintenance	St. Mathias Care and Maintenance	Total 2016	Total 2015
	\$	\$	\$	\$	\$	\$	\$	\$
Assets:								
Cash	15,166	19,240	508	3,140	46,765	4,321	89,140	87,132
Investments, at cost	-	-	1,009	-	10,900	-	11,909	1,509
Due from Township of Chatsworth	-	-	-	-	-	-	-	-
	15,166	19,240	1,517	3,140	57,665	4,321	101,049	88,641
Liabilities:								
Due to Cemetery Boards	87	220	8	32	361	437	1,145	1,748
Fund balance	15,079	19,020	1,509	3,108	57,304	3,884	99,904	86,893

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Trust Funds Statement of Continuity

Year ended December 31, 2016

	Mt. Zion Care and Maintenance	Chatsworth Care and Maintenance	Cedardale Care and Maintenance	Hemstock Care and Maintenance	Desboro Care and Maintenance	St. Mathias Care and Maintenance	Total 2016	Total 2015
	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	14,879	19,020	1,509	3,008	44,593	3,884	86,893	81,240
Receipts:								
Investment income	14	18	9	3	43	4	91	272
Perpetual care receipts	200	-	-	100	150	-	450	5,684
Other transfer	-	-	-	-	12,561	-	12,561	-
	214	18	9	103	12,754	4	13,102	5,956
Expenditures:								
Transfer to Cemetery Boards	14	18	9	3	43	4	91	303
Balance, end of year	15,079	19,020	1,509	3,108	57,304	3,884	99,904	86,893

THE CORPORATION OF THE TOWNSHIP OF CHATSWORTH

Trust Funds
Notes to the Financial Statements

Year ended December 31, 2016

1. Basis of accounting:

(a) Management responsibility:

The financial information of the Corporation of the Township of Chatsworth Trust Funds are the representation of management. They have been prepared in accordance with Canadian Public Sector Accounting standards established by Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing.

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Use of estimates:

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Estimates are used when accounting for items such as accrued grant receivables, accrued liabilities, post-employment benefits, solid waste landfill closure and post-closure costs and taxation revenue. By their nature, these estimates are subject to management uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future.

(c) Basis of consolidation:

These trust funds have not been consolidated with the financial statements of the municipality.