

Consolidated Financial Statements

**THE CORPORATION OF THE
TOWN OF SMOOTH ROCK FALLS**

Year ended December 31, 2017

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of the Town of Smooth Rock Falls (the "Municipality") 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 are described in Note 1 to the consolidated financial statements. The preparation of consolidated 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 KPMG LLP, independent external auditors appointed by the Municipality. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

Luc Denault
Chief Administrative Officer



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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Town of Smooth Rock Falls

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Smooth Rock Falls which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of operations, change in net financial assets (debt) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated 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 our 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, we consider 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 consolidated financial statements.

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



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Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects the consolidated financial position of The Corporation of the Town of Smooth Rock Falls as at December 31, 2017, and its consolidated results of operations, its changes in net financial assets (debt) and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

June 18, 2018

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Consolidated Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Financial assets:		
Cash and cash equivalents	\$ 783,210	\$ 1,910,768
Due from Government of Canada	320,189	190,011
Due from Province of Ontario	1,113,663	187,322
Taxes and user charges receivable (note 2)	185,029	198,026
Accounts receivable	585,532	164,719
Long-term investments (note 4)	1,651,183	923,558
Long-term receivables (note 5)	20,646	23,595
	<u>4,659,452</u>	<u>3,597,999</u>
Financial liabilities:		
Accounts payable and accrued liabilities	464,814	649,154
Accrued post-retirement benefit obligations (note 6)	69,846	74,389
Deferred revenue	951,195	-
Deferred revenue - obligatory reserve funds (note 7)	48,403	177,747
Landfill closure and post-closure liability (note 8)	849,062	820,000
Long-term debt (note 9)	2,115,951	2,216,335
	<u>4,499,271</u>	<u>3,937,625</u>
Net financial assets (debt)	160,181	(339,626)
Non-financial assets:		
Tangible capital assets (note 10)	19,038,884	18,144,965
Prepaid expenses and inventory of supplies	51,375	50,854
	<u>19,090,259</u>	<u>18,195,819</u>
Commitments (note 14)		
Accumulated surplus (note 11)	\$ 19,250,440	\$ 17,856,193

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

On behalf of Council:

_____ Mayor

_____ Treasurer

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2017, with comparative information for 2016

	Budget 2017	Actual 2017	Actual 2016
Revenues:			
Taxation	\$ 2,380,328	\$ 2,392,081	\$ 2,310,832
Fees and user charges	753,691	1,272,641	837,835
Province of Ontario grants	751,400	1,840,830	1,013,701
Government of Canada grants	335,970	1,082,879	370,079
Investment income	20,000	31,626	37,836
Other	395,069	449,631	544,207
Total revenues	4,636,458	7,069,688	5,114,490
Expenses:			
Environmental services	967,160	1,225,267	1,258,985
General government	1,083,856	1,562,139	1,177,701
Transportation services	670,400	1,105,923	1,118,471
Recreation and cultural services	587,930	651,373	654,207
Protection to persons and property	527,880	553,386	479,467
Social and family services	264,280	260,049	273,144
Planning and development	264,162	255,680	169,392
Health services	57,380	61,624	56,471
Total expenses	4,423,048	5,675,441	5,187,838
Annual surplus (deficit)	213,410	1,394,247	(73,348)
Accumulated surplus, beginning of year	17,856,193	17,856,193	17,929,541
Accumulated surplus, end of year (note 11)	\$ 18,069,603	\$ 19,250,440	\$ 17,856,193

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

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Consolidated Statement of Change in Net Financial Assets (Debt)

Year ended December 31, 2017, with comparative information for 2016

	Budget 2017	Actual 2017	Actual 2016
Annual surplus (deficit)	\$ 213,410	\$ 1,394,247	\$ (73,348)
Acquisition of tangible capital assets	(1,014,942)	(2,260,978)	(1,236,548)
Amortization of tangible capital assets	-	1,062,918	1,033,261
Gain (loss) on disposal of tangible capital assets	-	(51,047)	-
Proceeds on disposal of tangible capital assets	-	355,188	-
Use of prepaid expenses	-	50,854	55,953
Acquisition of prepaid expenses and	-	(51,375)	(50,854)
	(1,014,942)	(894,440)	(198,188)
Change in net financial assets (debt)	(801,532)	499,807	(271,536)
Net debt, beginning of the year	(339,626)	(339,626)	(68,090)
Net financial assets (debt), end of the year	\$ (1,141,158)	\$ 160,181	\$ (339,626)

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

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Consolidated Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 1,394,247	\$ (73,348)
Items not involving cash:		
Amortization of tangible capital assets	1,062,918	1,033,261
Gain (loss) on disposal of tangible capital assets	(51,047)	-
Change in post-retirement benefit obligations	(4,543)	(3,516)
Change in landfill closure and post-closure liability	29,062	44,000
	2,430,637	1,000,397
Change in non-cash assets and liabilities:		
Decrease (increase) in taxes and user charges receivable	12,997	(28,544)
Decrease (increase) in due from Province of Ontario	(926,341)	112,678
Decrease (increase) in due from Government of Canada	(130,178)	70,560
Increase in accounts receivable	(420,813)	(113,631)
Decrease (increase) in prepaid expenses	(521)	5,099
Decrease in accounts payable and accrued liabilities	(184,340)	(632,696)
Increase (decrease) in deferred revenue	951,195	(5,125)
Increase (decrease) in deferred revenue - obligatory reserve funds	(129,344)	30,952
Net change in cash from operating activities	1,603,292	439,690
Capital activities:		
Proceeds on disposal of tangible capital assets	355,188	-
Cash used to acquire tangible capital assets	(2,260,978)	(1,236,548)
Net change in cash from capital activities	(1,905,790)	(1,236,548)
Investing activities:		
Increase in long-term investments	(727,625)	(714,593)
Decrease in long-term receivable	2,949	2,950
Net change in cash from investing activities	(724,676)	(711,643)
Financing activities:		
Repayment of long-term debt	(100,384)	(362,211)
Long-term debt issued	-	1,267,792
Net change in cash from financing activities	(100,384)	905,581
Net change in cash and cash equivalents	(1,127,558)	(602,920)
Cash and cash equivalents, beginning of year	1,910,768	2,513,688
Cash and cash equivalents, end of year	\$ 783,210	\$ 1,910,768

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

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Consolidated Financial Statements

Year ended December 31, 2017

Consolidated Financial Statements

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THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements

Year ended December 31, 2017

The Corporation of the Town of Smooth Rock Falls (the "Municipality") is a municipality in the Province of Ontario and operates under the provisions of the Community Charter. The Town provides municipal services such as fire, public works, planning, parks, recreation and culture and other general government services.

1. Significant accounting policies:

The consolidated financial statements of the Municipality are prepared by management 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. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Reporting entity:

These consolidated financial statements reflect the assets, liabilities, revenues, expenses and fund balances of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and which are owned or controlled by the Municipality. These consolidated financial statements include the Smooth Rock Falls Public Library Board.

All inter-departmental and inter-organizational transactions and balances between these organizations are eliminated.

The investments Solaire Smooth Rock Falls Solar Inc. and 2294834 Ontario Inc. are accounted for using the modified equity basis of accounting, consistent with Public Sector Accounting Standards. Under this method, the government business enterprise's accounting policies, which follow Canadian generally accepted accounting principles for publicly accountable enterprises, are not adjusted to conform with Public Sector Accounting Standards and inter-entity transactions and balances are not eliminated. The Municipality recognizes its equity interest in the annual income or loss of Solaire Smooth Rock Falls Solar Inc. and 2294834 Ontario Inc. in its consolidated statement of operations and accumulated surplus.

(b) Basis of accounting:

Sources of financing 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 the receipt of goods or services and the creation of a legal obligation to pay.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(c) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the tangible capital asset. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land improvements	15
Buildings	20 - 40
Vehicles	5 - 10
Equipment	5 - 20
Roads, bridges and culverts	15 - 50
Water and sewer	15 - 50

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(i) Contributions of tangible capital assets

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

(ii) Natural resources

Natural resources that have not been purchased are not recognized as assets in the consolidated financial statements.

(iii) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(d) Revenue recognition:

The Municipality prepared tax billings based on assessment rolls issued by Municipal Property Assessment Corporation, in accordance with rates established and approved annually by Council and the Province of Ontario. Taxation revenue is recognized in the period in which the taxes are levied.

Government transfers are recognized in the period in which the events giving rise to the transfer occurred, provided that the transfer is authorized and the amount can be reasonably estimated. Government grants are recognized when approved to the extent the related expenses have been incurred and collection can be reasonably assured.

User fees and other revenues are recognized when the services are performed or goods are delivered, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and fees are fixed or determinable. Amounts received for future services are deferred until the service is provided.

(e) Use of estimates:

The preparation of the consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant items subject to such estimates and assumptions include valuation allowances for taxes and user charges receivable, accounts receivable, accrued post-retirement benefit obligations and estimating provisions for accrued liabilities and landfill closure and post-closure liabilities. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

In addition, the Municipality's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

(f) School Boards:

The Municipality collects taxation revenue on behalf of the school boards. 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.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(g) Solid waste management liabilities:

The liability for closure of operational site and post-closure care has been recognized based on estimated future expenses, estimated inflation and the usage of the site's capacity during the year.

(h) Pension and employee benefits:

The Municipality accounts for its participation in the Ontario Municipal Employee Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. Vacation entitlements are accrued for as entitlements are earned.

2. Taxes and user charges receivable:

	2017	2016
Current	\$ 120,249	\$ 134,235
Past due	47,675	46,664
Penalties and interest	17,105	17,127
	<u>\$ 185,029</u>	<u>\$ 198,026</u>

3. Credit facilities:

The Municipality has available a \$750,000 (2016 – \$750,000) demand line of credit. This unsecured line of credit bears interest at the bank's prime rate. At December 31, 2017 \$Nil (2016 – \$Nil) has been drawn against this facility.

The Municipality also has available a \$375,000 (2016 – \$375,000) demand line of credit for capital projects. This unsecured line of credit bears interest at the bank's prime rate. At December 31, 2017 \$Nil (2016 – \$Nil) has been drawn against this facility.

4. Long-term investments:

These investments consist of mutual funds held with Royal Bank Investment Savings and are adjusted to market value at December 31, 2017.

5. Long-term receivable:

A long-term receivable in the amount of \$20,646 (2016 – \$23,595) is outstanding from the Smooth Rock Falls Economic Development Corporation for reimbursement of their portion of the Fifth Street Paved Shoulder Project. The receivable is unsecured, interest-free, and is repayable over 10 years.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

6. Accrued post-retirement benefits obligations:

The Municipality provides certain employee benefits which will require funding in future periods.

The Municipality does not have an accumulating sick leave plan that permits usage of sick leave accumulated in prior years or permits payout upon termination, death or retirement. The Municipality provides post-retirement non-pension benefits to eligible employees in retirement.

The Municipality pays the entire cost of the benefit program. The benefits are provided until the retiree's 65th birthday, or death, whichever comes first.

An actuarial estimate of future liabilities has been completed using the most recent actuarial valuation dated May 25, 2016 and forms the basis for the estimated liability reported in these consolidated financial statements.

The following table sets out the continuity of the accrued benefit obligation:

	2017	2016
Accrued benefit obligation, beginning of year	\$ 74,389	\$ 77,905
Add: Benefit/service cost	3,363	3,155
Add: Interest	3,123	3,312
Less: Benefit payments	(11,289)	(10,243)
Add: Amortization of actuarial loss	260	260
Accrued benefit obligation, end of year	\$ 69,846	\$ 74,389
Unamortized actuarial gains, beginning of year	\$ 1,026	\$ 766
Actuarial gain – accrual	260	260
Actuarial gain – recognized on revaluation	–	–
Unamortized actuarial gains, end of year	\$ 1,286	\$ 1,026

The significant actuarial assumptions adopted in measuring the Municipality's accrued benefit obligations are as follows:

	2017	2016
Discount rate	4.50%	4.50%
Inflation rate	2.00%	2.00%
Salary escalation	3.00%	3.00%
Dental care escalation	4.00%	4.00%
Health care escalation	4.67% in 2017 and reducing to 4.00% in 2019	

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

7. Deferred revenue – obligatory reserve fund:

The continuity of transactions within the deferred revenue are as described below:

	December 31, 2016	Contributions received	Interest earned	Amounts taken to revenue	December 31, 2017
Federal gas tax reserves	\$ 177,747	85,151	1,148	(215,643)	48,403

8. Landfill closure and post-closure liability:

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a twenty-five year period using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at Municipality's average long-term borrowing rate of 1.91% (2016 – 1.91%). The estimated total landfill closure and post-closure care expenses are calculated to be \$879,119. The estimated liability for these expenses is recognized as the landfill site's capacity is used. At December 31, 2017 an amount of \$849,062 (2016 – \$820,000) with respect to landfill closure and post-closure liabilities has been accrued.

The estimated remaining capacity of the landfill site is 3% of its total estimated capacity and its estimated remaining life is approximately 2 years. The period for post-closure care is estimated to be 25 years.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

9. Net long-term debt:

The balance owing of long-term debt is comprised of the following:

	2017	2016
Loan payable to Infrastructure Ontario (IO), payable in semi-annual installments of blended principal and interest at a rate of 3.33%, due in 2037	\$ 1,613,075	\$ 1,811,196
Loan payable to Infrastructure Ontario (IO), payable in semi-annual installments of blended principal and interest at a rate of 2.03%, due in 2019	36,315	60,526
Loan payable to Infrastructure Ontario (IO), payable in semi-annual installments of blended principal and interest at a rate of 2.00%, due in 2019	24,108	36,161
Loan payable to Infrastructure Ontario (IO), payable in semi-annual installments of blended principal and interest at a rate of 2.63%, due in 2027	161,463	–
Loan payable to Infrastructure Ontario (IO), payable in semi-annual installments of blended principal and interest at a rate of 2.54%, due in 2026	280,990	308,452
	\$ 2,115,951	\$ 2,216,335

The principal repayments payable in the next five years are as follows:

2018	\$ 140,519
2019	129,522
2020	109,606
2021	112,935
2022	116,367
Thereafter	1,507,002

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued):

Year ended December 31, 2017

10. Tangible capital assets:

Cost	Balance at December 31, 2016	Disposals	Additions	Balance at December 31, 2017
Land	\$ 364,067	-	-	364,067
Land improvements	196,589	-	-	196,589
Buildings	11,864,269	-	1,056,243	12,920,512
Vehicles	939,451	337,936	-	601,515
Equipment	3,374,085	-	430,301	3,804,386
Roads, bridges and culverts	14,576,828	-	774,434	15,351,262
Water and sewer	8,451,307	-	-	8,451,307
Total	\$ 39,766,596	337,936	2,260,978	41,689,638

Accumulated Amortization	Balance at December 31, 2016	Disposals	Amortization	Balance at December 31, 2017
Land improvements	\$ 129,497	-	7,454	136,951
Buildings	5,798,169	-	270,962	6,069,131
Vehicles	293,946	33,795	51,717	311,868
Equipment	2,496,214	-	180,320	2,676,534
Roads, bridges and culverts	7,490,935	-	414,421	7,905,356
Water and sewer	5,412,870	-	138,044	5,550,914
Total	\$ 21,621,631	33,795	1,062,918	22,650,754

	Net book value, December 31, 2016	Net book value, December 31, 2017
Land	\$ 364,067	364,067
Land improvements	67,092	59,638
Buildings	6,066,100	6,851,381
Vehicles	645,505	289,647
Equipment	877,871	1,127,852
Roads, bridges and culverts	7,085,893	7,445,906
Water and sewer	3,038,437	2,900,393
Total	\$ 18,144,965	19,038,884

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued):

Year ended December 31, 2017

10. Tangible capital assets (continued):

Cost	Balance at December 31, 2015	Disposals	Additions	Balance at December 31, 2016
Land	\$ 249,342	-	114,725	364,067
Land improvements	196,589	-	-	196,589
Buildings	11,471,229	-	393,040	11,864,269
Vehicles	601,515	-	337,936	939,451
Equipment	3,166,577	-	207,508	3,374,085
Roads, bridges and culverts	14,406,119	-	170,709	14,576,828
Water and sewer	8,438,677	-	12,630	8,451,307
Total	\$ 38,530,048	-	1,236,548	39,766,596

Accumulated Amortization	Balance at December 31, 2015	Disposals	Amortization	Balance at December 31, 2016
Land improvements	\$ 122,043	-	7,454	129,497
Buildings	5,560,905	-	237,264	5,798,169
Vehicles	208,335	-	85,611	293,946
Equipment	2,358,325	-	137,889	2,496,214
Roads, bridges and culverts	7,084,394	-	406,541	7,490,935
Water and sewer	5,254,368	-	158,502	5,412,870
Total	\$ 20,588,370	-	1,033,261	21,621,631

	Net book value, December 31, 2015	Net book value, December 31, 2016
Land	\$ 249,342	364,067
Land improvements	74,546	67,092
Buildings	5,910,324	6,066,100
Vehicles	393,180	645,505
Equipment	808,252	877,871
Roads, bridges and culverts	7,321,725	7,085,893
Water and sewer	3,184,309	3,038,437
Total	\$ 17,941,678	18,144,965

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

11. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2017	2016
Surplus:		
Invested in tangible capital assets	\$ 16,922,933	\$ 15,928,630
General surplus	—	—
Unfunded:		
Employee benefit obligations	(69,846)	(74,389)
Landfill closure costs	(849,062)	(820,000)
Total surplus	16,004,025	15,034,241
Reserves set aside for specific purpose by Council:		
Working funds	1,551,283	996,628
Fire Hall	10,000	10,000
Parks	17,259	17,259
Administration	144,783	153,199
Road infrastructure	206,337	206,337
Mattagami Centre	10,000	10,000
Outdoor Pool	1,029	1,029
Town Hall	—	—
Community Hall	10,000	10,000
Landfill	436,394	471,799
Arena	12,856	12,856
Land development	40,052	49,644
Public Works	88,760	88,760
Water Infrastructure	317,103	338,703
Sewer Infrastructure	134,662	140,207
Solid Waste Management	—	—
Waste Water Treatment Plant	159,891	159,891
Marketing	6,006	55,640
Tax Stabilization	100,000	100,000
	3,246,415	2,821,952
Accumulated surplus	\$ 19,250,440	\$ 17,856,193

12. Budget:

The chart below reconciles the approved operating and capital budgets of the Municipality to the budget figures reported on the consolidated statement of operations:

Approved budget:	
Total revenue per budget	\$ 5,638,078
Less:	
Reserve transfers	1,001,620
Budget per financial statements	\$ 4,636,458

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

13. Contributions to unconsolidated joint boards:

The following contributions were made by the Municipality to these joint boards:

	2017	2016
Porcupine Health Unit	\$ 44,188	\$ 42,772
District of Cochrane Social Services Administration Board	257,416	270,512
	\$ 301,604	\$ 313,284

14. Commitments:

With respect to the sewage and water works systems servicing the Municipality, the following charges for operating costs which were billed to the Municipality by Ontario Clean Water Agency, the service provider for these systems, are included in the consolidated statement of operations:

	2017	2016
Sewage disposal system	\$ 139,870	\$ 151,714
Waterworks system	277,620	271,774
	\$ 417,490	\$ 423,488

The Municipality has entered into an agreement that expires on December 31, 2020 with the Ontario Clean Water Agency to provide water and sewage maintenance service for an annual cost of approximately \$408,852. The cost of the services is adjusted annually for inflation and for any additional items resulting from a change in the scope of services.

The Municipality has entered into a police services contract with the Province of Ontario for the provision of police services within municipal boundaries. The contract is effective until December 31, 2020. During the year, \$276,596 (2016 – \$262,771) was expended on police services.

Following amalgamation of the Township of Kendry with the Town of Smooth Rock Falls, the Municipality became responsible for an agreement with the Ministry of the Environment for the installation of sewage rate on benefiting property owners and also a service connection charge over a period of 40 years.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

15. Pension agreements:

The Municipality makes contributions to the Ontario Municipal Employee Retirement Fund (OMERS) (the "Plan"), which is a multi-employer plan, on behalf of 11 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.

The amount contributed to OMERS for 2017 was \$84,187 (2016 – \$76,195) for current service.

16. Operations of school boards:

During the year, the following taxation revenue was raised and remitted to the school boards:

	2017	2016
Taxation	\$ 546,308	\$ 546,270

17. Trust funds:

The Trust Funds administered by the Municipality amounting to \$40,931 (2016 – \$39,600) have not been included on the consolidated statement of financial position nor have their operations been included on the consolidated statement of operations.

18. Public sector salary disclosure:

During 2017, two (2016 – one) employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more by the Municipality.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

19. Segmented information:

The Municipality provides a range of services to its citizens, including police, fire, transportation, recreational and environmental. For management reporting purposes the Municipality's operations and activities are organized and reported by department. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Municipality services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(a) General Government:

Includes corporate services and governance of the Municipality. General government is responsible for human resource management. Support to Council for policy development, by-law development in compliance with the Municipal Act, tax billing and collection responsibilities, financial management reporting, monitoring and overall budget status is provided as well as frontline reception and customer service.

(b) Protection Services:

Includes policing, fire protection, protective inspection and control and emergency measures. The mandate of the police services contract is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. Fire protection includes detection, extinguishing and suppression services; and prevention education and training programs.

Inspection and control includes building inspection, by-law enforcement and dog control services.

(c) Transportation Services:

This department provides the winter and summer maintenance, the repair and the construction of the municipal roads system including bridges and culverts.

(d) Environmental Services:

Includes the management and maintenance of water and wastewater system, the landfill site, transfer stations, and the waste collection system that serves the Municipality.

(e) Health Services:

The Municipality provides ambulance services through the District Social Services Board, Cemetery Services and a range of public health services through the Porcupine Health Unit.

(f) Social and Family Services:

The services are provided indirectly by the Municipality through the District Social Services Board and include family and children's services, housing services and seniors clubs.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

19. Segmented information (continued):

(g) Recreation and Cultural Services:

Provides recreation and leisure programs and facilities, including community halls, libraries, parks, recreation fields and arena. It also provides building maintenance services to all municipal facilities.

(h) Planning and Development:

Manages rural development for business interest, environmental concerns, heritage matters, local neighbourhoods and community development. It facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of the zoning by-law and official plan, and the provision of geographic information services.

For each segment separately reported in the schedule below, the segment revenue and expenditures represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. These municipal services are funded primarily by taxation such as property tax revenue. Taxation and payments-in-lieu of taxes are apportioned to these services based on the net surplus. Certain government transfers, transfer from other funds, and other revenue have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Note 19 - Segmented Information

Year ended December 31, 2017

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2017 Total
Revenues:									
Fees and user charges	\$ 14,876	-	-	1,193,421	7,670	-	56,674	-	1,272,641
Province of Ontario grants	1,614,588	8,821	200,730	-	-	-	12,736	3,955	1,840,830
Government of Canada grants	1,007,163	-	-	-	-	-	-	75,716	1,082,879
Investment income	31,626	-	-	-	-	-	-	-	31,626
Other	295,209	45,597	-	18,690	-	-	90,135	-	449,631
	2,963,462	54,418	200,730	1,212,111	7,670	-	159,545	79,671	4,677,607
Expenses:									
Salaries, wages and benefits	605,106	154,782	341,454	84,775	2,787	-	198,235	76,772	1,463,911
Materials	717,366	65,615	184,588	335,511	8,983	-	301,453	170,739	1,784,255
Contracted services	148,797	288,277	59,083	502,136	44,188	257,416	11,505	8,169	1,319,571
Rents, financial expenses and other	1,244	-	43,542	-	-	-	-	-	44,786
Amortization of tangible capital assets	89,626	44,712	477,256	302,845	5,666	2,633	140,180	-	1,062,918
	1,562,139	553,386	1,105,923	1,225,267	61,624	260,049	651,373	255,680	5,675,441
Excess (deficiency) of revenues over expenses	1,401,323	(498,968)	(905,193)	(13,156)	(53,954)	(260,049)	(491,828)	(176,009)	(997,834)
Funded through:									
Taxation									2,392,081
Annual surplus									\$ 1,394,247

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Note 19 - Segmented Information

Year ended December 31, 2017

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2016 Total
Revenues:									
Fees and user charges	\$ 12,467	-	-	742,615	13,638	-	67,540	1,575	837,835
Province of Ontario grants	958,287	8,543	38,021	-	-	-	4,895	3,955	1,013,701
Government of Canada grants	282,363	-	-	-	-	-	-	87,716	370,079
Investment income	37,836	-	-	-	-	-	-	-	37,836
Other	354,752	40,774	-	18,925	-	-	129,756	-	544,207
	1,645,705	49,317	38,021	761,540	13,638	-	202,191	93,246	2,803,658
Expenses:									
Salaries, wages and benefits	525,858	78,754	369,816	83,667	4,319	-	214,306	92,174	1,368,894
Materials	404,479	72,032	20,240	348,919	7,313	-	288,138	44,677	1,185,798
Contracted services	227,181	283,969	167,319	469,303	43,489	270,512	13,482	32,541	1,507,796
Rents, financial expenses and other	469	-	91,620	-	-	-	-	-	92,089
Amortization of tangible capital assets	19,714	44,712	469,476	357,096	1,350	2,632	138,281	-	1,033,261
	1,177,701	479,467	1,118,471	1,258,985	56,471	273,144	654,207	169,392	5,187,838
Excess (deficiency) of revenues over expenses	468,004	(430,150)	(1,080,450)	(497,445)	(42,833)	(273,144)	(452,016)	(76,146)	(2,384,180)
Funded through:									
Taxation									2,310,832
Annual deficit									\$ (73,348)



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AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Members of Council, Inhabitants and Ratepayers of the Corporation
of the Town of Smooth Rock Falls

We have audited and reported separately herein on the consolidated financial statements of the Corporation of the Town of Smooth Rock Falls as at and for the year ended December 31, 2017 in accordance with Canadian generally accepted auditing standards.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole in accordance with Canadian generally accepted auditing standards. The current year's supplementary information included in the Schedule of Library Board Operations is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada
June 18, 2018

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Schedule of Library Board Operations

Year ended December 31, 2017, with comparative information for 2016

	Budget 2017	Actual 2017	Actual 2016
Revenue:			
Municipal contribution	\$ 81,140	72,092	72,274
Other	5,630	12,856	6,710
	86,770	84,948	78,984
Expenses:			
Salaries and wages	45,000	43,166	42,497
Employee benefits	15,110	14,304	14,452
Books	9,000	8,169	10,051
Office and other	15,160	16,412	9,339
Telephone	2,500	2,897	2,645
	86,770	84,948	78,984
Excess of revenue over expenses	\$ -	-	-