

Consolidated Financial Statements

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

Year ended December 31, 2018

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

Opinion

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Smooth Rock Falls (the Corporation), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets (debt) for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes and schedules to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”)

In our opinion, the accompanying 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, 2018, and its consolidated results of operations, its consolidated changes in net financial assets (debt) and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.



- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada
July 2, 2019

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Consolidated Financial Statements

Year ended December 31, 2018

Consolidated Financial Statements

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THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial assets:		
Cash and cash equivalents	\$ 614,681	\$ 783,210
Due from Government of Canada	314,519	320,189
Due from Province of Ontario	540,183	1,113,663
Taxes and user charges receivable (note 2)	216,503	185,029
Accounts receivable	189,822	585,532
Long-term investments (note 4)	1,669,893	1,651,183
Long-term receivables (note 5)	17,697	20,646
	<u>3,563,298</u>	<u>4,659,452</u>
Financial liabilities:		
Accounts payable and accrued liabilities	771,808	464,814
Accrued post-retirement benefit obligations (note 6)	66,871	69,846
Deferred revenue	21,456	951,195
Deferred revenue - obligatory reserve funds (note 7)	19,469	48,403
Landfill closure and post-closure liability (note 8)	901,000	849,062
Long-term debt (note 9)	2,812,583	2,115,951
	<u>4,593,187</u>	<u>4,499,271</u>
Net financial assets (debt)	(1,029,889)	160,181
Non-financial assets:		
Tangible capital assets (note 10)	21,768,324	19,038,884
Prepaid expenses and inventory of supplies	54,791	51,375
	<u>21,823,115</u>	<u>19,090,259</u>
Commitments (note 14)		
Accumulated surplus (note 11)	\$ 20,793,226	\$ 19,250,440

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, 2018, with comparative information for 2017

	Budget 2018	Actual 2018	Actual 2017
Revenues:			
Taxation	\$ 2,437,400	\$ 2,443,192	\$ 2,392,081
Fees and user charges	799,089	926,607	1,272,641
Province of Ontario grants	753,570	2,823,335	1,840,830
Government of Canada grants	145,372	599,868	1,082,879
Investment income	20,000	40,573	31,626
Other	407,935	496,155	449,631
Total revenues	4,563,366	7,329,730	7,069,688
Expenses:			
General government	924,294	1,361,807	1,562,139
Protection to persons and property	524,660	534,359	553,386
Transportation services	713,870	1,266,782	1,105,923
Environmental services	958,110	1,205,022	1,225,267
Health services	58,340	62,224	61,624
Social and family services	303,260	296,825	260,049
Recreation and cultural services	571,486	646,777	651,373
Planning and development	342,504	413,148	255,680
Total expenses	4,396,524	5,786,944	5,675,441
Annual surplus	166,842	1,542,786	1,394,247
Accumulated surplus, beginning of year	17,856,193	19,250,440	17,856,193
Accumulated surplus, end of year (note 11)	\$ 18,023,035	\$ 20,793,226	\$ 19,250,440

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, 2018, with comparative information for 2017

	Budget 2018	Actual 2018	Actual 2017
Annual surplus	\$ 166,842	\$ 1,542,786	\$ 1,394,247
Acquisition of tangible capital assets	(1,007,665)	(3,864,359)	(2,260,978)
Amortization of tangible capital assets	-	1,125,669	1,062,918
Loss (gain) on disposal of tangible capital assets	-	9,250	(51,047)
Proceeds on disposal of tangible capital assets	-	-	355,188
Acquisition and use of prepaid expenses	-	(3,416)	(521)
	(840,823)	(2,732,856)	(894,440)
Change in net financial assets (debt)	(673,981)	(1,190,070)	499,807
Net financial assets (debt), beginning of the year	160,181	160,181	(339,626)
Net financial assets (debt), end of the year	\$ (513,800)	\$ (1,029,889)	\$ 160,181

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, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,542,786	\$ 1,394,247
Items not involving cash:		
Amortization of tangible capital assets	1,125,669	1,062,918
Loss (gain) on disposal of tangible capital assets	9,250	(51,047)
Change in accrued post-retirement benefit obligations	(2,975)	(4,543)
Change in landfill closure and post-closure liability	51,938	29,062
	2,726,668	2,430,637
Change in non-cash assets and liabilities:		
Decrease (increase) in taxes and user charges receivable	(31,474)	12,997
Decrease (increase) in due from Province of Ontario	573,480	(926,341)
Decrease (increase) in due from Government of Canada	5,670	(130,178)
Decrease (increase) in accounts receivable	395,710	(420,813)
Increase in prepaid expenses and inventory of supplies	(3,416)	(521)
Increase (decrease) in accounts payable and accrued liabilities	306,994	(184,340)
Increase (decrease) in deferred revenue	(929,739)	951,195
Decrease in deferred revenue - obligatory reserve funds	(28,934)	(129,344)
Net change in cash from operating activities	3,014,959	1,603,292
Capital activities:		
Proceeds on disposal of tangible capital assets	-	355,188
Cash used to acquire tangible capital assets	(3,864,359)	(2,260,978)
Net change in cash from capital activities	(3,864,359)	(1,905,790)
Investing activities:		
Increase in long-term investments	(18,710)	(727,625)
Decrease in long-term receivable	2,949	2,949
Net change in cash from investing activities	(15,761)	(724,676)
Financing activities:		
Proceeds from issuance of long-term debt	836,139	-
Repayment of long-term debt	(139,507)	(100,384)
Net change in cash from financing activities	696,632	(100,384)
Net change in cash and cash equivalents	(168,529)	(1,127,558)
Cash and cash equivalents, beginning of year	783,210	1,910,768
Cash and cash equivalents, end of year	\$ 614,681	\$ 783,210

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

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Year ended December 31, 2018

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.

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Year ended December 31, 2018

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

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.

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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.

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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:

	2018	2017
Current	\$ 125,147	\$ 120,249
Past due	72,489	47,675
Penalties and interest	18,867	17,105
	<u>\$ 216,503</u>	<u>\$ 185,029</u>

3. Credit facilities:

The Municipality has available a \$750,000 (2017 – \$750,000) demand line of credit. This unsecured line of credit bears interest at the bank's prime rate. At December 31, 2018 \$Nil (2017 – \$Nil) has been drawn against this facility.

The Municipality also has available a \$375,000 (2017 – \$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, 2018 \$Nil (2017 – \$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, 2018.

5. Long-term receivable:

A long-term receivable in the amount of \$17,697 (2017 – \$20,646) is outstanding from the Smooth Rock Falls Economic Development Corporation for reimbursement of its portion of the Fifth Street Paved Shoulder Project. The receivable is unsecured, interest-free, and is repayable over 10 years.

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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:

	2018	2017
Accrued benefit obligation, beginning of year	\$ 69,846	\$ 74,389
Add: Benefit/service cost	3,585	3,363
Add: Interest	2,946	3,123
Less: Benefit payments	(9,766)	(11,289)
Add: Amortization of actuarial loss	260	260
Accrued benefit obligation, end of year	\$ 66,871	\$ 69,846
Unamortized actuarial gains , beginning of year	\$ 1,286	\$ 1,026
Actuarial gain – accrual	260	260
Actuarial gain – recognized on revaluation	–	–
Unamortized actuarial gains, end of year	\$ 1,546	\$ 1,286

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

	2018	2017
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	

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7. Deferred revenue – obligatory reserve fund:

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

	December 31, 2017	Contributions received	Interest earned	Amounts taken to revenue	December 31, 2018
Federal gas tax reserves	\$ 48,403	87,654	914	(117,502)	19,469

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% (2017 – 1.91%). The estimated total landfill closure and post-closure care expenses are calculated to be \$915,781. The estimated liability for these expenses is recognized as the landfill site's capacity is used. At December 31, 2018 an amount of \$901,000 (2017 – \$849,062) with respect to landfill closure and post-closure liabilities has been accrued.

The estimated remaining capacity of the landfill site is 2% 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.

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Year ended December 31, 2018

9. Net long-term debt:

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

	2018	2017
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	\$ 1,553,166	\$ 1,613,075
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	12,105	36,315
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	12,054	24,108
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	146,292	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	252,827	280,990
Loan payable to Infrastructure Ontario (IO), payable in semi-annual installments of blended principal and interest at a rate of 3.13%, due in 2044	836,139	-
	\$ 2,812,583	\$ 2,115,951

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

2018	\$ 155,425
2019	160,562
2020	165,499
2021	170,589
2022	175,837
Thereafter	1,984,671

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued):

Year ended December 31, 2018

10. Tangible capital assets:

Cost	Balance at December 31, 2017	Disposals	Additions	Balance at December 31, 2018
Land	\$ 364,067	-	129,791	493,858
Land improvements	196,589	-	-	196,589
Buildings	12,920,512	(18,507)	165,165	13,067,170
Vehicles	601,515	-	-	601,515
Equipment	3,804,386	(185,000)	300,166	3,919,552
Roads, bridges and culverts	15,351,262	-	3,269,237	18,620,499
Water and sewer	8,451,307	-	-	8,451,307
Total	\$ 41,689,638	(203,507)	3,864,359	45,350,490

Accumulated Amortization	Balance at December 31, 2017	Disposals	Amortization	Balance at December 31, 2018
Land improvements	\$ 136,951	-	7,454	144,405
Buildings	6,069,131	(18,507)	245,325	6,295,949
Vehicles	311,868	-	51,717	363,585
Equipment	2,676,534	(175,750)	188,442	2,689,226
Roads, bridges and culverts	7,905,356	-	494,721	8,400,077
Water and sewer	5,550,914	-	138,010	5,688,924
Total	\$ 22,650,754	(194,257)	1,125,669	23,582,166

	Net book value, December 31, 2017	Net book value, December 31, 2018
Land	\$ 364,067	493,858
Land improvements	59,638	52,184
Buildings	6,851,381	6,771,221
Vehicles	289,647	237,930
Equipment	1,127,852	1,230,326
Roads, bridges and culverts	7,445,906	10,220,422
Water and sewer	2,900,393	2,762,383
Total	\$ 19,038,884	21,768,324

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued):

Year ended December 31, 2018

10. Tangible capital assets (continued):

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

Consolidated Financial Statements

Year ended December 31, 2018

11. Accumulated surplus:

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

	2018	2017
Surplus:		
Invested in tangible capital assets	\$ 18,955,741	\$ 16,922,933
Unfunded:		
Employee benefit obligations	(66,871)	(69,846)
Landfill closure costs	(901,000)	(849,062)
Total surplus	17,987,870	16,004,025
Reserves set aside for specific purpose by Council:		
Working funds	1,192,303	1,551,283
Fire Hall	10,000	10,000
Parks	17,259	17,259
Administration	144,783	144,783
Road infrastructure	206,337	206,337
Mattagami Centre	10,000	10,000
Outdoor Pool	1,029	1,029
Community Hall	10,000	10,000
Landfill	420,703	436,394
Arena	12,856	12,856
Land development	34,349	40,052
Public Works	88,760	88,760
Water Infrastructure	284,296	317,103
Sewer Infrastructure	112,790	134,662
Waste Water Treatment Plant	159,891	159,891
Marketing	-	6,006
Tax Stabilization	100,000	100,000
	2,805,356	3,246,415
Accumulated surplus	\$ 20,793,226	\$ 19,250,440

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	\$ 5,660,654
Less:	
Reserve transfers	1,097,288
Budget per financial statements	\$ 4,563,366

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Consolidated Financial Statements

Year ended December 31, 2018

13. Contributions to unconsolidated joint boards:

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

	2018	2017
Porcupine Health Unit	\$ 45,067	\$ 44,188
District of Cochrane Social Services Administration Board	292,064	257,416
	\$ 337,131	\$ 301,604

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:

	2018	2017
Sewage disposal system	\$ 142,248	\$ 139,870
Waterworks system	281,474	277,620
	\$ 423,722	\$ 417,490

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, \$278,672 (2017 – \$276,596) 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.

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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 12 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 2018 was \$83,340 (2017 – \$84,197) for current service.

16. Operations of school boards:

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

	2018	2017
Taxation	\$ 544,727	\$ 546,308

17. Trust funds:

The Trust Funds administered by the Municipality amounting to \$44,544 (2017 – \$40,931) 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 2018, two (2017 – two) employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more by the Municipality.

19. Segmented information:

The Municipality provides a range of services to its citizens, including police, fire, and 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.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

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19. Segmented information (continued):

(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.

(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, 2018

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2018 Total
Revenues:									
Fees and user charges	\$ 15,701	-	-	838,644	13,002	-	59,130	130	926,607
Province of Ontario grants	830,517	25,547	1,897,571	-	-	-	14,420	55,280	2,823,335
Government of Canada grants	446,320	-	-	15,691	-	-	101,811	36,046	599,868
Investment income	40,573	-	-	-	-	-	-	-	40,573
Other	280,268	32,339	-	93,263	-	-	90,285	-	496,155
	1,613,379	57,886	1,897,571	947,598	13,002	-	265,646	91,456	4,886,538
Expenses:									
Salaries, wages and benefits	568,295	136,249	362,553	80,912	7,883	-	221,559	73,687	1,451,138
Materials	593,063	65,698	228,835	355,218	3,608	-	292,727	327,384	1,866,533
Contracted services	109,229	286,840	47,769	465,405	45,067	292,064	16,893	12,077	1,275,344
Rents, financial expenses and other	985	-	67,275	-	-	-	-	-	68,260
Amortization of tangible capital assets	90,235	45,572	560,350	303,487	5,666	4,761	115,598	-	1,125,669
	1,361,807	534,359	1,266,782	1,205,022	62,224	296,825	646,777	413,148	5,786,944
Excess (deficiency) of revenues over expenses	251,572	(476,473)	630,789	(257,424)	(49,222)	(296,825)	(381,131)	(321,692)	(900,406)
Funded through:									
Taxation									2,443,192
Annual surplus									\$ 1,542,786

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Note 19 - Segmented Information (continued)

Year ended December 31, 2018

	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

Schedule of Library Board Operations

Year ended December 31, 2018, with comparative information for 2017

	Budget 2018	Actual 2018	Actual 2017
Revenue:			
Municipal contribution	\$ 79,800	76,929	72,092
Other	14,650	14,420	12,856
	<u>94,450</u>	<u>91,349</u>	<u>84,948</u>
Expenses:			
Salaries and wages	45,000	46,698	43,166
Employee benefits	15,700	14,775	14,304
Books	9,000	8,960	8,169
Office and other	21,790	18,175	16,412
Telephone	2,960	2,741	2,897
	<u>94,450</u>	<u>91,349</u>	<u>84,948</u>
Excess of revenue over expenses	\$ -	-	-

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Schedule of Planning Board Operations

Year ended December 31, 2018, with comparative information for 2017

	Budget 2018	Actual 2018	Actual 2017
Revenue:			
Municipal contribution	\$ 37,335	35,487	23,617
Grants	4,915	4,085	3,955
	<u>42,250</u>	<u>39,572</u>	<u>27,572</u>
Expenses:			
Salaries and wages	23,620	22,658	15,648
Professional fees	13,120	12,077	7,660
Employee benefits	5,010	4,837	3,284
Other	-	-	860
Training	500	-	120
	<u>42,250</u>	<u>39,572</u>	<u>27,572</u>
Excess of revenue over expenses	\$ -	-	-