

Consolidated Financial Statements of

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

Year ended December 31, 2011



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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, 2011, the consolidated statements of operations, change in net financial assets 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 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.



Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Town of Smooth Rock Falls as at December 31, 2011 and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style. Below the signature is a long, horizontal, slightly curved line that tapers at both ends, serving as a decorative underline.

Chartered Accountants, Licensed Public Accountants

June 4, 2012
Sudbury, Canada

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 Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, 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

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Consolidated Financial Statements

Year ended December 31, 2011

Consolidated Financial Statements

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THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Consolidated Statement of Financial Position

December 31, 2011, with comparative figures for 2010

	2011	2010
Financial assets:		
Cash and cash equivalents	\$ 2,139,206	\$ 1,472,856
Due from Government of Canada	89,886	238,700
Due from Province of Ontario	137,787	347,172
Taxes and user charges receivable (note 2)	368,539	575,570
Accounts receivable	51,756	11,735
	<u>2,787,174</u>	<u>2,646,033</u>
Financial liabilities:		
Bank indebtedness (note 3)	372,064	372,064
Accounts payable and accrued liabilities	957,750	517,755
Accrued post-retirement benefit obligations (note 4)	96,480	104,466
Deferred revenue (note 5)	-	284,427
Deferred revenue - obligatory reserve funds (note 5)	-	58,408
Landfill closure and post-closure liability (note 6)	534,000	485,000
Net long-term liabilities (note 7)	125,188	140,323
	<u>2,085,482</u>	<u>1,962,443</u>
Net financial assets	701,692	683,590
Non-financial assets:		
Tangible capital assets (note 8)	15,848,893	15,878,316
Prepaid expenses	39,555	37,832
	<u>15,888,448</u>	<u>15,916,148</u>
Commitments (note 16)		
Accumulated surplus (note 9)	<u>\$ 16,590,140</u>	<u>\$ 16,599,738</u>

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

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Consolidated Statement of Operations

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Revenues:		
Taxation	\$ 1,711,601	\$ 2,044,321
Fees and user charges	616,110	559,555
Province of Ontario grants	1,325,869	1,150,028
Government of Canada grants	159,868	357,011
Investment income	3,805	1,563
Other	268,909	188,897
Total revenues	4,086,162	4,301,375
Expenses:		
General government	849,654	711,719
Protection to persons and property	318,651	293,217
Transportation services	811,158	913,325
Environmental services	1,118,599	1,122,566
Health services	47,444	50,728
Social and family services	247,847	311,159
Recreation and cultural services	570,549	593,729
Planning and development	131,858	46,670
Total expenses	4,095,760	4,043,113
Annual surplus (deficit)	(9,598)	258,262
Accumulated surplus, beginning of year	16,599,738	16,341,476
Accumulated surplus, end of year (note 9)	\$ 16,590,140	\$ 16,599,738

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

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Annual surplus (deficit)	\$ (9,598)	\$ 258,262
Acquisition of tangible capital assets	(858,507)	(804,988)
Amortization of tangible capital assets	887,930	846,187
Use of prepaid expenses	37,832	-
Acquisition of prepaid expenses	(39,555)	(37,832)
	18,102	261,629
Change in net financial assets	18,102	261,629
Net financial assets, beginning of year	683,590	421,961
Net financial assets, end of year	\$ 701,692	\$ 683,590

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, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (9,598)	\$ 258,262
Items not involving cash:		
Amortization of tangible capital assets	887,930	846,187
Change in employee benefit obligations	(7,986)	(6,539)
Change in landfill closure and post-closure liability	49,000	70,626
	919,346	1,168,536
Change in non-cash assets and liabilities:		
Decrease in taxes and user charges receivable	207,031	122,380
Decrease (increase) in due from Province of Ontario	209,385	(121,329)
Decrease in due from Government of Canada	148,814	6,606
Increase in accounts receivable	(40,021)	(132,680)
Increase in prepaid expenses	(1,723)	(37,832)
Increase in accounts payable and accrued liabilities	439,995	243,783
Decrease in deferred revenue	(284,427)	(95,691)
Decrease in deferred revenue - obligatory reserve funds	(58,408)	(199,064)
Net change in cash from operating activities	1,539,992	954,709
Capital activities:		
Cash used to acquire tangible capital assets	(858,507)	(804,988)
Net change in cash from capital activities	(858,507)	(804,988)
Financing activities:		
Repayment of long-term liabilities	(15,135)	(13,768)
Net change in cash from financing activities	(15,135)	(13,768)
Net change in cash and cash equivalents	666,350	135,953
Cash and cash equivalents, beginning of year	1,472,856	1,336,903
Cash and cash equivalents, end of year	\$ 2,139,206	\$ 1,472,856

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

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements

Year ended December 31, 2011

The Corporation of the Town of Smooth Rock Falls (the "Municipality") is a single-tier municipal corporation located in Northern Ontario. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and other related legislation.

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 Canadian Institute of Chartered Accountants. 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 financial statements include the Smooth Rock Falls Public Library Board.

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

(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, 2011

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	3 - 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 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 financial statements.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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 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 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 Section 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 financial statements.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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) Pensions 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:

	2011	2010
Current	\$ 135,936	\$ 173,370
Past due	499,973	534,384
Allowance for doubtful accounts	(624,140)	(441,300)
Penalties and interest	356,770	309,116
	<u>\$ 368,539</u>	<u>\$ 575,570</u>

3. Credit facilities:

The Municipality has available a \$750,000 (2010 - \$750,000) demand line of credit. This unsecured line of credit bears interest at the bank's prime rate. At December 31, 2011 \$Nil (2010 - \$Nil) has been drawn against this facility.

The Municipality also has available a \$375,000 (2010 - \$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, 2011 \$372,064 (2010 - \$372,064) has been drawn against this facility.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

4. 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 December 31, 2009 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.

	2011	2010
Accrued Benefit Obligation, beginning of year	\$ 104,466	\$ 111,005
Add: Benefit/service cost	1,768	1,850
Add: Interest	4,901	5,255
Less: Benefit payments	(14,655)	(13,644)
Accrued Benefit Obligation, end of year	\$ 96,480	\$ 104,466

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

	2011	2010
Discount rate	5.00%	5.00%
Inflation rate	2.00%	2.00%
Salary escalation	3.00%	3.00%
Dental premium rates	4.00%	4.00%
Travel premium rates	4.00%	4.00%
Health care premium rates	Escalate at 0% in 2009 (included in the 1/1/2009 renewal rates), 7.00% for 2010 vs 2009, reducing by 0.3333% per year to 4.00% in 2019 vs 2018 and 4.00% thereafter.	

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

5. Deferred revenues:

(a) Deferred revenue:

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

	December 31, 2010	Contributions received	Amounts taken to revenue	December 31, 2011
Municipal infrastructure investment initiative (Hollywood Avenue)	\$ 284,427	\$ -	\$ (284,427)	\$ -

(b) Deferred revenue - Obligatory Reserve Funds

The continuity of transactions within the obligatory reserve funds are as described below:

	December 31, 2010	Contributions received	Interest received	Amounts taken to revenue	December 31, 2011
Federal gas tax reserves	\$ 58,408	\$ 90,369	\$ 1,176	\$ (149,953)	\$ -

6. 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.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

6. Landfill closure and post-closure liability (continued):

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 3.92% (2010 - 5.30%). The estimated total landfill closure and post-closure care expenses are calculated to be \$647,000. The estimated liability for these expenses is recognized as the landfill site's capacity is used. At December 31, 2011 an amount of \$534,000 (2010 - \$485,000) with respect to landfill closure and post-closure liabilities has been accrued.

The estimated remaining capacity of the landfill site is 18% of its total estimated capacity and its estimated remaining life is approximately 8 years. The period for post-closure care is estimated to be 25 years.

7. Net long-term liabilities:

The balance of long-term liabilities is comprised of the following:

	2011	2010
Loan payable to Ontario Clean Water Agency (OCWA), due December 2017, repayable in 78 monthly instalments of \$611 followed by 6 monthly instalments of \$903, principal and interest at a rate of 9.50% per annum	\$ 33,976	\$ 37,809
Loan payable to Ontario Clean Water Agency (OCWA), due June 2017, repayable in 72 monthly instalments of \$1,753 followed by 6 monthly instalments of \$2,614, principal and interest at a rate of 9.76% per annum	91,212	102,514
	<u>\$ 125,188</u>	<u>\$ 140,323</u>

The principal repayments are payable as follows:

2012	\$ 16,638
2013	18,290
2014	20,106
2015	22,102
2016	25,296
Thereafter	18,756

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

8. Tangible capital assets:

Cost	Balance at December 31, 2010	Transfers	Additions	Disposals	Balance at December 31, 2011
Land	\$ 86,046	\$ -	\$ -	\$ -	\$ 86,046
Land improvements	196,589	-	-	-	196,589
Buildings	10,712,063	-	87,214	-	10,799,277
Vehicles	350,139	-	-	-	350,139
Equipment	2,603,343	-	118,559	-	2,721,902
Roads, bridges and culverts	9,647,309	-	609,406	-	10,256,715
Water and sewer	8,350,066	-	43,328	-	8,393,394
Total	\$ 31,945,555	\$ -	\$ 858,507	\$ -	\$ 32,804,062

Accumulated amortization	Balance at December 31, 2010	Disposals	Amortization expense	Balance at December 31, 2011
Land improvements	\$ 84,773	\$ -	\$ 7,454	\$ 92,227
Buildings	4,371,132	-	236,581	4,607,713
Vehicles	40,187	-	18,757	58,944
Equipment	1,661,911	-	159,683	1,821,594
Roads, bridges and culverts	5,514,439	-	287,501	5,801,940
Water and sewer	4,394,797	-	177,954	4,572,751
Total	\$ 16,067,239	\$ -	\$ 887,930	\$ 16,955,169

	Net book value December 31, 2010	Net book value December 31, 2011
Land	\$ 86,046	\$ 86,046
Land improvements	111,816	104,362
Buildings	6,340,931	6,191,564
Vehicles	309,952	291,195
Equipment	941,432	900,308
Roads, bridges and culverts	4,132,870	4,454,775
Water and sewer	3,955,269	3,820,643
Total	\$ 15,878,316	\$ 15,848,893

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

8. Tangible capital assets (continued):

Cost	Balance at December 31, 2009	Transfers	Additions	Disposals	Balance at December 31, 2010
Land	\$ 86,046	\$ -	\$ -	\$ -	\$ 86,046
Land improvements	196,589	-	-	-	196,589
Buildings	10,712,063	-	-	-	10,712,063
Vehicles	56,733	-	293,406	-	350,139
Equipment	2,561,078	-	42,265	-	2,603,343
Roads, bridges and culverts	9,349,745	-	297,564	-	9,647,309
Water and sewer	8,178,313	-	171,753	-	8,350,066
Construction in progress	-	-	-	-	-
Total	\$ 31,140,567	\$ -	\$ 804,988	\$ -	\$ 31,945,555

Accumulated amortization	Balance at December 31, 2009	Disposals	Amortization expense	Balance at December 31, 2010
Land improvements	\$ 77,319	\$ -	\$ 7,454	\$ 84,773
Buildings	4,137,271	-	233,861	4,371,132
Vehicles	36,100	-	4,087	40,187
Equipment	1,512,983	-	148,928	1,661,911
Roads, bridges and culverts	5,243,080	-	271,359	5,514,439
Water and sewer	4,214,299	-	180,498	4,394,797
Total	\$ 15,221,052	\$ -	\$ 846,187	\$ 16,067,239

	Net book value December 31, 2009	Net book value December 31, 2010
Land	\$ 86,046	\$ 86,046
Land improvements	119,270	111,816
Buildings	6,574,792	6,340,931
Vehicles	20,633	309,952
Equipment	1,048,095	941,432
Roads, bridges and culverts	4,106,665	4,132,870
Water and sewer	3,964,014	3,955,269
Assets under construction	-	-
Total	\$ 15,919,515	\$ 15,878,316

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

9. Accumulated surplus:

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

	2011	2010
Surplus:		
Invested in tangible capital assets	\$ 15,723,705	\$ 15,737,993
General revenue fund	(147,411)	-
Unfunded:		
Employee benefit obligations	(96,480)	(104,466)
Landfill closure costs	(534,000)	(485,000)
Total surplus	14,945,814	15,148,527
Reserves set aside for specific purpose by Council:		
Working funds	183,698	158,698
Parks	3,513	3,513
Administration	36,000	36,000
Road infrastructure	225,000	225,000
Landfill	225,000	175,000
Arena	234,355	150,000
Public Works	241,760	208,000
Fire department	50,000	50,000
Water Infrastructure	100,000	100,000
Sewer Infrastructure	50,000	50,000
Solid Waste Management	55,000	55,000
Waste Water Treatment Plant	100,000	100,000
Recreation	15,000	15,000
Marketing	25,000	25,000
Tax Stabilization	100,000	100,000
	1,644,326	1,451,211
Accumulated surplus	\$ 16,590,140	\$ 16,599,738

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

10. Contributions to Unconsolidated Joint Boards:

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

	2011	2010
Porcupine Health Unit	\$ 42,710	\$ 43,365
District of Cochrane Social Services Administration Board	235,814	300,821
	<u>\$ 278,524</u>	<u>\$ 344,186</u>

11. Budget figures:

Current and capital revenue fund budgets are affected on an ongoing basis, depending on when various government programs become available to the Municipality. Accordingly, the budgets are not directly comparable with current year actual amounts and therefore, budgets have not been reflected on the consolidated statement of financial activities and changes in fund balances.

12. 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 2011 was \$37,520 (2010 - \$33,172) for current service.

13. Operations of school boards:

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

	2011	2010
Taxation	<u>\$ 547,270</u>	<u>\$ 564,021</u>

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

14. Trust Funds:

The Trust Funds administered by the Municipality amounting to \$25,777 (2010 - \$23,627) have not been included on the consolidated statement of financial position nor have their operations been included on the consolidated statement of operations.

15. Contingencies:

The Municipality is involved in claims and litigation in the normal course of operations. The outcome of these actions are not determinable and accordingly, no amounts have been reflected in the accounts of the Municipality for this matter. Any settlements or awards will be recorded in the period they become determinable.

16. Commitments:

Waterworks and Sewage

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 providers for these systems are included in the consolidated statement of operations:

	2011	2010
Sewage disposal system	\$ 131,101	\$ 129,369
Waterworks system	230,676	244,626
	<u>\$ 360,045</u>	<u>\$ 373,995</u>

The Municipality has entered into an agreement that expires on December 31, 2015 with the Ontario Clean Water Agency to provide water and sewer maintenance service for an annual cost of approximately \$348,978. 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 October 31, 2014. During the year, \$195,217 (2010 - \$192,138) 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, 2011

17. Public sector salary disclosure:

During 2011, no employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more by the Municipality.

18. 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.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

18. Segmented information (continued):

- (e) 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.
- (f) 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.
- (g) Health Services: The Municipality provides ambulance services through the District Social Services Board, Cemetery Services and a range of public health services through the Sudbury and District Health Unit.
- (h) 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.

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 18 - Segmented Information (continued)

Year ended December 31, 2011

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2011 Total
Revenues:									
Fees and user charges	\$ 3,505	-	-	543,058	12,760	51,787	-	5,000	616,110
Province of Ontario grants	800,208	82,477	284,427	22,585	-	34,700	7,258	94,214	1,325,869
Government of Canada grants	-	-	149,954	9,914	-	-	-	-	159,868
Investment income	3,805	-	-	-	-	-	-	-	3,805
Other	218,909	50,000	-	-	-	-	-	-	268,909
	1,026,427	132,477	434,381	575,557	12,760	86,487	7,258	99,214	2,374,561
Expenses:									
Salaries, wages and benefits	333,079	39,640	265,596	200,997	1,012	-	204,047	-	1,044,371
Materials	214,242	40,459	180,056	79,593	2,351	5,254	230,068	10,162	762,185
Contracted services	158,512	209,400	25,429	405,775	42,710	230,560	15,460	115,258	1,203,104
Rents, financial expenses and other	129,493	-	-	62,239	-	-	-	6,438	198,170
Amortization of tangible capital assets	14,328	29,152	340,077	369,995	1,371	12,033	120,974	-	887,930
	849,654	318,651	811,158	1,118,599	47,444	247,847	570,549	131,858	4,095,760
Excess (deficiency) of revenues over expenses	176,773	(186,174)	(376,777)	(543,042)	(34,684)	(161,360)	(563,291)	(32,644)	(1,721,199)
Funded through:									
Taxation									1,711,601
Annual surplus (deficit)									\$ (9,598)

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Note 18 - Segmented Information (continued)

Year ended December 31, 2010

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2010 Total
Revenues:									
Fees and user charges	\$ 2,380	-	-	500,252	10,200	-	44,803	2,885	560,520
Government of Canada grants	2,347	-	290,380	64,284	-	-	-	-	357,011
Province of Ontario grants	809,365	99,804	44,048	88,661	-	99,300	4,895	3,955	1,150,028
Investment income	1,563	-	-	-	-	-	-	-	1,563
Other	187,932	-	-	-	-	-	-	-	187,932
	1,003,587	99,804	334,428	653,197	10,200	99,300	49,698	6,840	2,257,054
Expenses:									
Salaries, wages and benefits	265,319	39,663	338,372	75,740	1,444	-	223,191	-	943,729
Materials	235,225	43,717	211,609	230,026	5,381	10,422	235,347	6,247	977,974
Contracted services	186,450	203,477	39,408	430,757	43,365	290,480	15,859	30,000	1,239,796
Rents, financial expenses and other	10,398	-	-	14,606	-	-	-	10,423	35,427
Amortization of tangible capital assets	14,327	6,360	323,936	371,437	538	10,257	119,332	-	846,187
	711,719	293,217	913,325	1,122,566	50,728	311,159	593,729	46,670	4,043,113
Excess (deficiency) of revenues over expenses	291,868	(193,413)	(578,897)	(469,369)	(40,528)	(211,859)	(544,031)	(39,830)	(1,786,059)
Funded through:									
Taxation									2,044,321
Annual surplus									\$ 258,262



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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, 2011 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.

Chartered Accountants, Licensed Public Accountants

June 4, 2012
Sudbury, Canada

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Schedule of Library Board Operations

Year ended December 31, 2011, with comparative figures for 2010

	Budget 2011	Actual 2011	Actual 2010
	(Unaudited)		
Revenue:			
Municipal contribution	\$ 58,360	50,532	55,953
Other	5,650	7,904	5,534
	64,010	58,436	61,487
Expenses:			
Salaries and wages	40,000	38,710	46,829
Employee benefits	3,920	3,339	3,883
Books	8,000	9,210	-
Office and other	8,430	4,245	7,362
Professional fees	1,860	1,000	1,500
Telephone	1,800	1,932	1,913
	64,010	58,436	61,487
Excess of revenue over expenses	\$ -	-	-