

Consolidated Financial Statements of

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

Year ended December 31, 2014



KPMG LLP
Claridge Executive Centre
144 Pine Street
Sudbury Ontario P3C 1X3
Canada

Telephone (705) 675-8500
Fax (705) 675-7586
Internet www.kpmg.ca

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, 2014, 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 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.



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, 2014 and its consolidated results of operations 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

April 7, 2015
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 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

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Consolidated Financial Statements

Year ended December 31, 2014

Consolidated Financial Statements

Consolidated Statement of Financial Position	1
Consolidated Statement of Operations	2
Consolidated Statement of Change in Net Financial Assets	3
Consolidated Statement of Cash Flows	4
Notes to Consolidated Financial Statements	5 - 20

Supplementary Financial Information

Auditors' Report on Supplementary Information	21
Schedule of Library Board Operations	22

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Consolidated Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
Financial assets:		
Cash and cash equivalents	\$ 2,317,696	\$ 1,660,960
Due from Government of Canada	62,862	65,739
Due from Province of Ontario	32,576	48,850
Taxes and user charges receivable (note 2)	169,321	127,206
Accounts receivable	94,308	69,393
Long-term investments (note 4)	1,315,096	500,908
Long-term receivables (note 5)	29,494	-
	<u>4,021,353</u>	<u>2,473,056</u>
Financial liabilities:		
Accounts payable and accrued liabilities	510,402	448,610
Accrued post-retirement benefit obligations (note 6)	80,710	82,521
Deferred revenue (note 7)	974,618	-
Deferred revenue - obligatory reserve funds (note 7)	159,611	151,156
Landfill closure and post-closure liability (note 8)	754,000	665,000
Long-term debt (note 9)	169,216	-
	<u>2,648,557</u>	<u>1,347,287</u>
Net financial assets	1,372,796	1,125,769
Non-financial assets:		
Tangible capital assets (note 10)	14,907,069	15,110,549
Prepaid expenses	53,837	57,261
	<u>14,960,906</u>	<u>15,167,810</u>
Commitments (note 14)		
Accumulated surplus (note 11)	\$ 16,333,702	\$ 16,293,579

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

On behalf of the Council:

 Mayor

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Consolidated Statement of Operations

Year ended December 31, 2014, with comparative information for 2013

	2014 Budget	2014 Actual	2013 Actual
Revenues:			
Taxation	\$ 2,220,735	\$ 2,237,120	\$ 2,181,948
Fees and user charges	605,937	722,697	633,046
Province of Ontario grants	880,570	1,037,081	900,008
Government of Canada grants	300,210	111,380	43,747
Investment income	20,000	42,902	16,007
Other	282,060	398,722	260,251
Total revenues	4,309,512	4,549,902	4,035,007
Expenses:			
Environmental services	893,158	1,286,207	1,141,578
Transportation services	640,080	939,126	932,082
General government	898,552	927,723	920,444
Recreation and cultural services	556,218	618,925	537,131
Protection to persons and property	395,190	363,844	328,925
Social and family services	257,303	237,530	223,547
Planning and development	114,550	80,582	54,680
Health services	44,289	55,842	54,064
Total expenses	3,799,340	4,509,779	4,192,451
Annual surplus (deficit)	510,172	40,123	(157,444)
Accumulated surplus, beginning of year	16,293,579	16,293,579	16,451,023
Accumulated surplus, end of year (note 11)	\$ 16,803,751	\$ 16,333,702	\$ 16,293,579

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, 2014, with comparative information for 2013

	2014 Budget	2014 Actual	2013 Actual
Annual surplus (deficit)	\$ 510,172	\$ 40,123	\$ (157,444)
Acquisition of tangible capital assets	(392,987)	(720,298)	(364,949)
Amortization of tangible capital assets	908,249	908,249	885,709
Loss on disposal of tangible capital assets	-	8,500	-
Proceeds on disposal of tangible capital assets	-	7,029	-
Use of prepaid expenses	-	57,261	45,256
Acquisition of prepaid expenses	-	(53,837)	(57,261)
	515,262	206,904	508,755
Change in net financial assets	1,025,434	247,027	351,311
Net financial assets, beginning of year	1,125,769	1,125,769	774,458
Net financial assets, end of year	\$ 2,151,203	\$ 1,372,796	\$ 1,125,769

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, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 40,123	\$ (157,444)
Items not involving cash:		
Amortization of tangible capital assets	908,249	885,709
Loss on disposal of tangible capital assets	8,500	-
Proceeds on disposal of tangible capital assets	7,029	-
Change in post-retirement benefit obligations	(1,811)	(4,855)
Change in landfill closure and post-closure liability	89,000	64,000
	<u>1,051,090</u>	<u>787,410</u>
Change in non-cash assets and liabilities:		
Decrease (increase) in taxes and user charges receivable	(42,115)	46,086
Decrease in due from Province of Ontario	16,274	51,454
Decrease (increase) in due from Government of Canada	2,877	(16,559)
Decrease (increase) in accounts receivable	(24,915)	86,522
Decrease (increase) in prepaid expenses	3,424	(12,005)
Increase (decrease) in accounts payable and accrued liabilities	61,793	(614,131)
Increase in deferred revenue	974,618	-
Increase in deferred revenue - obligatory reserve funds	8,455	60,690
Net change in cash from operating activities	<u>2,051,501</u>	<u>389,467</u>
Capital activities:		
Cash used to acquire tangible capital assets	(720,298)	(364,949)
Net change in cash from capital activities	<u>(720,298)</u>	<u>(364,949)</u>
Financing activities:		
Repayment of long-term debt	(12,105)	(108,550)
Long-term debt issued	181,321	-
Net change in cash from financing activities	<u>169,216</u>	<u>(108,550)</u>
Investing activities:		
Increase in long-term investments	(814,189)	(500,908)
Increase in long-term receivable	(29,494)	-
Net change in cash from investing activities	<u>(843,683)</u>	<u>(500,908)</u>
Net change in cash and cash equivalents	656,736	(584,940)
Cash and cash equivalents, beginning of year	1,660,960	2,245,900
Cash and cash equivalents, end of year	\$ 2,317,696	\$ 1,660,960

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, 2014

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 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.

(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, 2014

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 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.

(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.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(d) Revenue recognition (continued):

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.

(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.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(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:

	2014	2013
Current	\$ 121,052	\$ 90,740
Past due	37,664	29,914
Penalties and interest	10,605	6,552
	<u>\$ 169,321</u>	<u>\$ 127,206</u>

3. Credit facilities:

The Municipality has available a \$750,000 (2013 - \$750,000) demand line of credit. This unsecured line of credit bears interest at the bank's prime rate. At December 31, 2014 \$Nil (2013 - \$Nil) has been drawn against this facility.

The Municipality also has available a \$375,000 (2013 - \$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, 2014 \$Nil (2013 - \$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, 2014.

5. Long-term receivable:

A long-term receivable in the amount of \$29,494 (2013 - \$Nil) 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. Payments are scheduled to begin November 1, 2015.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

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 June 17, 2013 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.

	2014	2013
Accrued benefit obligation, beginning of year	\$ 82,521	\$ 87,376
Add: Benefit/service cost	3,092	2,915
Add: Interest	3,501	3,668
Less: Benefit payments	(9,309)	(12,343)
Add: Amortization of actuarial loss	905	905
Accrued benefit obligation, end of year	\$ 80,710	\$ 82,521
Unamortized actuarial gains, beginning of year	\$ 8,141	\$ 9,046
Amortization - current year	905	905
Unamortized actuarial gains, end of year	\$ 7,236	\$ 8,141

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

	2014	2013
Discount rate	4.00%	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 2013, 5.67% in 2014 reducing 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, 2014

7. Deferred revenues:

(a) Deferred revenue:

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

	December 31, 2013	Contributions received	Amounts taken to revenue	December 31, 2014
Small Rural and Northern Municipal Infrastructure Fund (7th and 8th Cr.)	\$ -	\$ 1,100,000	\$ (125,382)	\$ 974,618

(b) Deferred revenue - Obligatory Reserve Funds

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

	December 31, 2013	Contributions received	Interest received	Amounts taken to revenue	December 31, 2014
Federal gas tax reserves	\$ 151,156	\$ 79,685	\$ 2,414	\$ (73,644)	\$ 159,611

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.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

8. 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 2.89% (2013 - 4.24%). The estimated total landfill closure and post-closure care expenses are calculated to be \$820,000. The estimated liability for these expenses is recognized as the landfill site's capacity is used. At December 31, 2014 an amount of \$754,000 (2013 - \$665,000) with respect to landfill closure and post-closure liabilities has been accrued.

The estimated remaining capacity of the landfill site is 8% of its total estimated capacity and its estimated remaining life is approximately 4 years. The period for post-closure care is estimated to be 25 years.

9. Net long-term debt:

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

	2014	2013
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	\$ 108,947	\$ -
Loan payable to Infrastructure Ontario (IO), payable in semi-annual installments of blended principal and interest at a rate of 4.37%, due in 2019	60,269	-
	169,216	-
Current portion of long-term debt	39,490	-
	\$ 129,726	\$ -

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

2015	\$ 39,490
2016	38,768
2017	38,032
2018	37,299
2019	15,627

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

10. Tangible capital assets:

Cost	Balance at December 31, 2013	Transfers	Additions	Disposals	Balance at December 31, 2014
Land	\$ 244,342	\$ -	\$ -	\$ -	\$ 244,342
Land improvements	196,589	-	-	-	196,589
Buildings	11,231,077	-	111,488	-	11,342,565
Vehicles	578,952	-	22,563	-	601,515
Equipment	2,856,518	-	304,806	23,892	3,137,432
Roads, bridges and culverts	10,263,265	-	281,441	-	10,544,706
Water and sewer	8,438,677	-	-	-	8,438,677
Total	\$ 33,809,420	\$ -	\$ 720,298	\$ 23,892	\$ 34,505,826

Accumulated amortization	Balance at December 31, 2013	Disposals	Amortization expense	Balance at December 31, 2014
Land improvements	\$ 107,135	\$ -	\$ 7,454	\$ 114,589
Buildings	5,089,083	-	237,761	5,326,844
Vehicles	100,714	-	55,804	156,518
Equipment	2,106,154	(8,363)	143,067	2,240,858
Roads, bridges and culverts	6,377,175	-	293,128	6,670,303
Water and sewer	4,918,610	-	171,035	5,089,645
Total	\$ 18,698,871	\$ (8,363)	\$ 908,249	\$ 19,598,757

	Net book value December 31, 2013	Net book value December 31, 2014
Land	\$ 244,342	\$ 244,342
Land improvements	89,454	82,000
Buildings	6,141,994	6,015,721
Vehicles	478,238	444,997
Equipment	750,364	896,574
Roads, bridges and culverts	3,886,090	3,874,403
Water and sewer	3,520,067	3,349,032
Total	\$ 15,110,549	\$ 14,907,069

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

10. Tangible capital assets (continued):

Cost	Balance at December 31, 2012	Transfers	Additions	Disposals	Balance at December 31, 2013
Land	\$ 236,341	\$ -	\$ 8,001	\$ -	\$ 244,342
Land improvements	196,589	-	-	-	196,589
Buildings	11,061,836	-	169,241	-	11,231,077
Vehicles	421,228	-	157,724	-	578,952
Equipment	2,829,868	-	26,650	-	2,856,518
Roads, bridges and culverts	10,259,932	-	3,333	-	10,263,265
Water and sewer	8,438,677	-	-	-	8,438,677
Total	\$ 33,444,471	\$ -	\$ 364,949	\$ -	\$ 33,809,420

Accumulated amortization	Balance at December 31, 2012	Disposals	Amortization expense	Balance at December 31, 2013
Land improvements	\$ 99,681	\$ -	\$ 7,454	\$ 107,135
Buildings	4,850,859	-	238,224	5,089,083
Vehicles	64,011	-	36,703	100,714
Equipment	1,963,430	-	142,724	2,106,154
Roads, bridges and culverts	6,089,502	-	287,673	6,377,175
Water and sewer	4,745,679	-	172,931	4,918,610
Total	\$ 17,813,162	\$ -	\$ 885,709	\$ 18,698,871

	Net book value December 31, 2012	Net book value December 31, 2013
Land	\$ 236,341	\$ 244,342
Land improvements	96,908	89,454
Buildings	6,210,977	6,141,994
Vehicles	357,217	478,238
Equipment	866,438	750,364
Roads, bridges and culverts	4,170,430	3,886,090
Water and sewer	3,692,998	3,520,067
Total	\$ 15,631,309	\$ 15,110,549

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

11. Accumulated surplus:

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

	2014	2013
Surplus:		
Invested in tangible capital assets	\$ 14,737,853	\$ 15,110,549
Unfunded:		
Employee benefit obligations	(80,710)	(82,521)
Landfill closure costs	(754,000)	(665,000)
Total surplus	13,903,143	14,363,028
Reserves set aside for specific purpose by Council:		
Working funds	99,487	183,698
Fire Hall	10,000	-
Parks	17,259	17,259
Administration	187,470	65,315
Road infrastructure	337,026	265,000
Mattagami Centre	10,000	-
Outdoor Pool	10,000	-
Town Hall	20,000	-
Community Hall	10,000	-
Library	-	1,138
Landfill	481,436	381,436
Arena	25,000	55,759
Land Development	50,000	50,000
Public Works	88,760	138,760
Water Infrastructure	383,860	250,000
Sewer Infrastructure	152,675	108,132
Solid Waste Management	164,054	114,054
Waste Water Treatment Plant	183,532	150,000
Marketing	100,000	50,000
Tax Stabilization	100,000	100,000
	2,430,559	1,930,551
Accumulated surplus	\$ 16,333,702	\$ 16,293,579

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

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 expenses per budget	\$ 3,599,981
Less:	
Capital	(392,987)
Transfers to reserves	(315,903)
	2,891,091
Amortization	908,249
	\$ 3,799,340

13. Contributions to Unconsolidated Joint Boards:

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

	2014	2013
Porcupine Health Unit	\$ 43,354	\$ 42,710
District of Cochrane Social Services Administration Board	234,897	220,914
	\$ 278,251	\$ 263,624

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:

	2014	2013
Sewage disposal system	\$ 159,428	\$ 137,651
Waterworks system	251,749	259,571
	\$ 411,177	\$ 397,222

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

14. Commitments (continued):

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 \$360,843. 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, \$228,345 (2013 - \$207,052) 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.

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 2014 was \$60,897 (2013 - \$60,823) for current service.

16. Operations of school boards:

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

	2014	2013
Taxation	\$ 530,665	\$ 524,446

17. Trust Funds:

The Trust Funds administered by the Municipality amounting to \$31,897 (2013 - \$30,427) have not been included on the consolidated statement of financial position nor have their operations been included on the consolidated statement of operations.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

18. Public sector salary disclosure:

During 2014, one employee was 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, 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 Sudbury and District Health Unit.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

19. Segmented information (continued):

- (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, 2014

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2014 Total
Revenues:									
Fees and user charges	\$ 1,386	-	-	638,565	10,561	-	69,685	2,500	722,697
Province of Ontario grants	890,543	12,306	125,382	-	-	-	4,895	3,955	1,037,081
Government of Canada grants	111,380	-	-	-	-	-	-	-	111,380
Investment income	42,902	-	-	-	-	-	-	-	42,902
Other	82,281	31,523	29,495	19,010	-	-	236,413	-	398,722
	1,128,492	43,829	154,877	657,575	10,561	-	310,993	6,455	2,312,782
Expenses:									
Salaries, wages and benefits	414,134	38,355	330,839	256,080	4,043	-	201,185	-	1,244,636
Materials	288,468	33,863	211,772	233,246	-	-	260,765	10,336	1,038,450
Contracted services	203,501	244,170	39,472	448,236	48,976	234,897	26,464	70,246	1,315,962
Rents, financial expenses and other	-	-	1,238	-	1,244	-	-	-	2,482
Amortization of tangible capital assets	21,620	47,456	355,805	348,645	1,579	2,633	130,511	-	908,249
	927,723	363,844	939,126	1,286,207	55,842	237,530	618,925	80,582	4,509,779
Excess (deficiency) of revenues over expenses	200,769	(320,015)	(784,249)	(628,632)	(45,281)	(237,530)	(307,932)	(74,127)	(2,196,997)
Funded through:									
Taxation									2,237,120
Annual surplus									\$ 40,123

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Note 19 - Segmented Information

Year ended December 31, 2013

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2013 Total
Revenues:									
Fees and user charges	\$ 1,274	-	-	578,983	10,320	-	42,469	-	633,046
Province of Ontario grants	871,585	13,305	-	135	-	-	11,028	3,955	900,008
Government of Canada grants	43,747	-	-	-	-	-	-	-	43,747
Investment income	15,037	-	-	-	970	-	-	-	16,007
Other	164,314	25,298	-	5,000	-	-	65,639	-	260,251
	1,095,957	38,603	-	584,118	11,290	-	119,136	3,955	1,853,059
Expenses:									
Salaries, wages and benefits	403,038	41,133	328,124	78,096	5,466	-	184,636	-	1,040,493
Materials	335,537	41,213	207,063	249,473	4,309	-	237,577	799	1,075,971
Contracted services	164,107	215,253	50,972	433,276	42,710	220,914	5,320	53,881	1,186,433
Rents, financial expenses and other	-	-	-	3,845	-	-	-	-	3,845
Amortization of tangible capital assets	17,762	31,326	345,923	376,888	1,579	2,633	109,598	-	885,709
	920,444	328,925	932,082	1,141,578	54,064	223,547	537,131	54,680	4,192,451
Excess (deficiency) of revenues over expenses	175,513	(290,322)	(932,082)	(557,460)	(42,774)	(223,547)	(417,995)	(50,725)	(2,339,392)
Funded through:									
Taxation									2,181,948
Annual deficit									\$ (157,444)



KPMG LLP
Claridge Executive Centre
144 Pine Street
Sudbury ON P3C 1X3

Telephone (705) 675-8500
Fax (705) 675-7586
In Watts (1-800) 461-3551
Internet www.kpmg.ca

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, 2014 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 Professional Accountants, Licensed Public Accountants

April 7, 2015
Sudbury, Canada

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Schedule of Library Board Operations

Year ended December 31, 2014, with comparative information for 2013

	Budget 2014	Actual 2014	Actual 2013
Revenue:			
Municipal contribution	\$ 62,390	61,249	59,965
Other	5,660	5,810	7,433
	<u>68,050</u>	<u>67,059</u>	<u>67,398</u>
Expenses:			
Salaries and wages	40,000	39,154	39,220
Employee benefits	5,940	6,920	6,733
Books	9,000	9,322	10,118
Office and other	9,400	7,772	7,648
Professional fees	1,000	1,000	1,000
Telephone	2,710	2,891	2,679
	<u>68,050</u>	<u>67,059</u>	<u>67,398</u>
Excess of revenue over expenses	\$ -	-	-