

Consolidated Financial Statements

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

And Independent Auditors' Report thereon

Year ended December 31, 2021

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.

Yvan Marchand
Chief Administrative Officer-Treasurer



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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, 2021
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net 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, 2021, and its consolidated results of operations, its consolidated changes in net 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.



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- 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 represent 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

May 16, 2022

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Consolidated Financial Statements

Year ended December 31, 2021

Consolidated Financial Statements

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THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial assets		
Cash and cash equivalents	\$ 225,371	\$ 1,176,814
Due from Government of Canada	352,111	176,608
Due from Province of Ontario	688,400	73,317
Taxes and user charges receivable (note 2)	176,173	224,953
Accounts receivable	225,740	201,582
Investments (note 4)	2,096,482	2,138,545
Long-term receivables (note 5)	8,848	11,798
	<u>3,773,125</u>	<u>4,003,617</u>
Financial liabilities		
Accounts payable and accrued liabilities	761,887	584,992
Accrued post-retirement benefit obligations (note 6)	61,189	65,232
Deferred revenue	401,922	105,602
Deferred revenue - obligatory reserve funds (note 7)	130,270	-
Landfill closure and post-closure liability (note 8)	428,000	569,000
Long-term debt (note 9)	4,482,685	4,741,427
	<u>6,265,953</u>	<u>6,066,253</u>
Net debt	(2,492,828)	(2,062,636)
Non-financial assets		
Tangible capital assets (note 10)	23,548,014	22,856,147
Prepaid expenses	88,790	76,527
	<u>23,636,804</u>	<u>22,932,674</u>
Commitments (note 14)		
Accumulated surplus (note 11)	\$ 21,143,976	\$ 20,870,038

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, 2021, with comparative information for 2020

	Budget 2021 (note 12)	Actual 2021	Actual 2020
Revenues:			
Taxation	\$ 2,538,550	\$ 2,540,785	\$ 2,476,337
Fees and user charges	950,339	1,057,972	1,009,230
Province of Ontario grants	808,160	1,532,545	1,172,616
Government of Canada grants	135,281	560,413	163,004
Investment income	45,560	(41,124)	50,502
Other	405,920	456,849	321,832
Total revenues	4,883,810	6,107,440	5,193,521
Expenses:			
General government	1,386,620	1,338,090	1,196,650
Protection to persons and property	490,420	480,740	510,661
Transportation services	950,690	1,361,209	1,308,702
Environmental services	976,570	1,290,473	1,210,240
Health services	70,300	69,273	68,325
Social and family services	306,110	316,056	286,960
Recreation and cultural services	604,610	814,689	626,801
Planning and development	493,191	303,972	318,877
Total expenses	5,278,511	5,974,502	5,527,216
Annual surplus (deficit) before the undernoted	(394,701)	132,938	(333,695)
<u>Landfill closure liability recovery</u>	<u>-</u>	<u>(141,000)</u>	<u>(385,000)</u>
Annual surplus (deficit)	(394,701)	273,938	51,305
Accumulated surplus, beginning of year	20,870,038	20,870,038	20,818,733
Accumulated surplus, end of year	\$ 20,475,337	\$ 21,143,976	\$ 20,870,038

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

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Consolidated Statement of Changes in Net Debt

Year ended December 31, 2021, with comparative information for 2020

	Budget 2021 (note 12)	Actual 2021	Actual 2020
Annual surplus (deficit)	\$ (394,701)	\$ 273,938	\$ 51,305
Acquisition of tangible capital assets	(1,216,718)	(1,817,401)	(1,165,183)
Amortization of tangible capital assets	-	1,125,534	1,197,404
Acquisition and use of prepaid expenses	-	(12,263)	(15,325)
	(1,216,718)	(704,130)	16,896
Change in net debt	(1,611,419)	(430,192)	68,201
Net debt, beginning of the year	(2,062,636)	(2,062,636)	(2,130,837)
Net debt, end of the year	\$ (3,674,055)	\$ (2,492,828)	\$ (2,062,636)

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, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 273,938	\$ 51,305
Items not involving cash:		
Amortization of tangible capital assets	1,125,534	1,197,404
Change in accrued post-retirement benefit obligations	(4,043)	(6,235)
Change in landfill closure and post-closure liability	(141,000)	(385,000)
	1,254,429	857,474
Change in non-cash assets and liabilities:		
Decrease in taxes and user charges receivable	48,780	25,536
(Increase) decrease in due from Province of Ontario	(615,083)	24,831
(Increase) decrease in due from Government of Canada	(175,503)	29,387
Increase in accounts receivable	(24,158)	(78,165)
Increase in prepaid expenses	(12,263)	(15,325)
Increase (decrease) in accounts payable and accrued liabilities	176,895	(196,466)
Increase (decrease) in deferred revenue	296,320	(59,895)
Increase (decrease) in deferred revenue - obligatory reserve funds	130,270	(18,350)
Net change in cash from operating activities	1,079,687	569,027
Capital activities:		
Cash used to acquire tangible capital assets	(1,817,401)	(1,165,183)
Net change in cash from capital activities	(1,817,401)	(1,165,183)
Investing activities:		
Decrease (increase) in long-term investments	42,063	(45,671)
Decrease in long-term receivable	2,950	2,949
Net change in cash from investing activities	45,013	(42,722)
Financing activities:		
Proceeds from issuance of long-term debt	-	1,954,246
Repayment of long-term debt	(258,742)	(1,633,597)
Net change in cash from financing activities	(258,742)	320,649
Net change in cash and cash equivalents	(951,443)	(318,229)
Cash and cash equivalents, beginning of year	1,176,814	1,495,043
Cash and cash equivalents, end of year	\$ 225,371	\$ 1,176,814

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, 2021

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.

(c) Investments:

Investments consist of authorized investments pursuant to provisions of the Municipal Act and are comprised of short term instruments in mutual funds. Investments are classified as investments in the statement of financial position and are carried at fair market value.

Investment income earned on the investments, are reported as revenue in the period earned.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements

Year ended December 31, 2021

1. Significant accounting policies (continued):

(d) 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	20
Buildings	20 - 60
Vehicles	5 - 10
Equipment	5 - 20
Roads, bridges and culverts	15 - 50
Water and sewer	12 - 75

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.

(e) 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.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements

Year ended December 31, 2021

1. Significant accounting policies (continued):

(f) Financial instruments:

The Municipality initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Municipality subsequently measures its financial assets and financial liabilities at amortized cost, except for investments in equity securities that are quoted in an active market or financial assets or liabilities designated to the fair value category, which are subsequently measured at fair value. Unrealized changes in fair value are recognized in the statement of operations and accumulated surplus.

Financial assets measured at amortized cost include cash and cash equivalents, due from Government of Canada, due from Province of Ontario, taxes and user charges receivable, account receivables and other long-term receivables. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, accrued post-retirement benefits, deferred revenue, deferred revenue – obligatory reserve funds, landfill closure and post-closure liability and long-term debt.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements

Year ended December 31, 2021

2. Taxes and user charges receivable:

	2021		2020	
Current	\$	100,060	\$	159,752
Past due		86,632		82,795
Penalties and interest		30,669		23,109
Allowance for doubtful accounts		(41,188)		(40,703)
	\$	176,173	\$	224,953

3. Credit facilities:

The Municipality has available a \$500,000 (2020 - \$500,000) demand line of credit. This unsecured line of credit bears interest at the bank's prime rate. At December 31, 2021, \$Nil (2020 - \$Nil) has been drawn against this facility.

The Municipality also has available a \$250,000 (2020 - \$250,000) demand line of credit for capital projects. This unsecured line of credit bears interest at the bank's prime rate. At December 31, 2021 \$Nil (2020 - \$Nil) has been drawn against this facility.

4. Investments:

	2021		2020	
	Cost	Market	Cost	Market
Money market portfolio	\$ 2,142,106	\$ 2,096,482	\$ 2,118,927	\$ 2,138,545

5. Long-term receivables:

A long-term receivable in the amount of \$8,848 (2020 - \$11,798) 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.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements

Year ended December 31, 2021

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 8, 2019 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:

	2021	2020
Accrued benefit obligation, beginning of year	\$ 65,232	\$ 71,467
Add: Benefit/service cost	2,437	2,298
Add: Interest	2,248	2,440
Less: Benefit payments	(8,494)	(10,739)
Add: Amortization of actuarial gains/losses	(234)	(234)
Add: Increase due to plan amendment	-	-
Accrued benefit obligation, end of year	\$ 61,189	\$ 65,232
Unamortized actuarial gains, beginning of year	\$ 6,013	\$ 6,247
Actuarial gain – amortization	(234)	(234)
Actuarial gain – recognized on revaluation	-	-
Unamortized actuarial gains, end of year	\$ 5,779	\$ 6,013

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

	2021	2020
Discount rate	4.00%	4.00%
Inflation rate	1.75%	1.75%
Salary escalation	2.75%	2.75%
Dental care escalation	3.75%	3.75%
Health care escalation	5.76%	6.09%

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements

Year ended December 31, 2021

7. Deferred revenue – obligatory reserve fund:

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

	December 31, 2020	Contributions received	Interest earned	Amounts taken to revenue	December 31, 2021
Federal gas tax reserves	\$ –	\$ 165,603	\$ –	\$ (35,333)	\$ 130,270

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 fifty 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.

In the current year, there was a change in the estimate based on the Municipality's planned expansion of the landfill site. The landfill expansion project is estimated to cost \$125,000 in 2021, with an assumption that the expanded site will have over 50 years of capacity remaining at the current fill rate.

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 1.09% (2020 - 0.58%). The estimated total landfill closure and post-closure care expenses are calculated to be \$565,654. The estimated liability for these expenses is recognized as the landfill site's capacity is used. At December 31, 2021, an amount of \$428,000 (2020 - \$569,000) with respect to landfill closure and post-closure liabilities has been accrued, which includes the estimated cost to expand the landfill.

The estimated remaining capacity of the expanded landfill site is 48% of its total estimated capacity and its estimated remaining life is approximately 50 years. The period for post-closure care is estimated to be 25 years.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements

Year ended December 31, 2021

9. Net long-term debt:

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

	2021	2020
Loan payable to Infrastructure Ontario, payable in semi-annual installments of blended principal and interest at a rate of 3.33%, due in 2037	\$ 1,361,099	\$ 1,427,247
Loan payable to Infrastructure Ontario, payable in semi-annual installments of blended principal and interest at a rate of 2.63%, due in 2027	98,325	114,734
Loan payable to Infrastructure Ontario, payable in semi-annual installments of blended principal and interest at a rate of 2.54%, due in 2026	163,944	194,322
Loan payable to Infrastructure Ontario, payable in semi-annual installments of blended principal and interest at a rate of 3.13%, due in 2044	1,220,141	1,257,035
Loan payable to Infrastructure Ontario, payable in semi-annual installments of blended principal and interest at a rate of 2.27%, due in 2024	48,101	66,595
Loan payable to Infrastructure Ontario, payable in semi-annual installments of blended principal and interest at a rate of 2.57%, due in 2029	185,304	207,437
Loan payable to Infrastructure Ontario, payable in semi-annual installments of blended principal and interest at a rate of 2.06%, due in 2024	140,561	178,903
Loan payable to Infrastructure Ontario, payable in semi-annual installments of blended principal and interest at a rate of 2.54%, due in 2050	1,265,210	1,295,154
	\$ 4,482,685	\$ 4,741,427

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

2022	\$ 265,893
2023	273,803
2024	271,987
2025	246,899
2026	233,429
Thereafter	3,190,674

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements

Year ended December 31, 2021

10. Tangible capital assets:

Cost	Balance at December 31, 2020	Disposals	Additions	Balance at December 31, 2021
Land	\$ 857,372	\$ -	\$ 1,016,560	\$ 1,873,932
Land improvements	563,655	-	140,801	704,456
Buildings	14,825,689	-	271,392	15,097,081
Vehicles	601,515	-	-	601,515
Equipment	4,344,799	-	182,924	4,527,723
Roads, bridges and culverts	18,845,145	-	205,724	19,050,869
Water and sewer	8,766,600	-	-	8,766,600
Total	\$ 48,804,775	\$ -	\$ 1,817,401	\$ 50,622,176

Accumulated Amortization	Balance at December 31, 2020	Disposals	Amortization	Balance at December 31, 2021
Land improvements	\$ 195,875	\$ -	\$ 32,848	\$ 228,723
Buildings	6,865,524	-	296,181	7,161,705
Vehicles	467,019	-	22,376	489,395
Equipment	3,085,806	-	204,763	3,290,569
Roads, bridges and culverts	9,369,554	-	436,281	9,805,835
Water and sewer	5,964,850	-	133,085	6,097,935
Total	\$ 25,948,628	\$ -	\$ 1,125,534	\$ 27,074,162

	Net book value, December 31, 2020	Net book value, December 31, 2021
Land	\$ 857,372	\$ 1,873,932
Land improvements	367,780	475,733
Buildings	7,960,165	7,935,376
Vehicles	134,496	112,120
Equipment	1,258,993	1,237,154
Roads, bridges and culverts	9,475,591	9,245,034
Water and sewer	2,801,750	2,668,665
Total	\$ 22,856,147	\$ 23,548,014

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements

Year ended December 31, 2021

10. Tangible capital assets (continued):

Cost	Balance at December 31, 2019	Disposals	Additions	Balance at December 31, 2020
Land	\$ 733,226	\$ -	\$ 124,146	\$ 857,372
Land improvements	563,655	-	-	563,655
Buildings	14,461,219	-	364,470	14,825,689
Vehicles	601,515	-	-	601,515
Equipment	4,179,060	-	165,739	4,344,799
Roads, bridges and culverts	18,649,610	-	195,535	18,845,145
Water and sewer	8,451,307	-	315,293	8,766,600
Total	\$ 47,639,592	\$ -	\$ 1,165,183	\$ 48,804,775

Accumulated Amortization	Balance at December 31, 2019	Disposals	Amortization	Balance at December 31, 2020
Land improvements	\$ 170,069	\$ -	\$ 25,806	\$ 195,875
Buildings	6,576,125	-	289,399	6,865,524
Vehicles	415,302	-	51,717	467,019
Equipment	2,888,003	-	197,803	3,085,806
Roads, bridges and culverts	8,883,952	-	485,602	9,369,554
Water and sewer	5,817,773	-	147,077	5,964,850
Total	\$ 24,751,224	\$ -	\$ 1,197,404	\$ 25,948,628

	Net book value, December 31, 2019	Net book value, December 31, 2020
Land	\$ 733,226	\$ 857,372
Land improvements	393,586	367,780
Buildings	7,885,094	7,960,165
Vehicles	186,213	134,496
Equipment	1,291,057	1,258,993
Roads, bridges and culverts	9,765,658	9,475,591
Water and sewer	2,633,534	2,801,750
Total	\$ 22,888,368	\$ 22,856,147

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements

Year ended December 31, 2021

11. Accumulated surplus:

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

	2021	2020
Surplus:		
Invested in tangible capital assets	\$ 19,065,329	\$ 18,114,720
Unfunded:		
Employee benefit obligations	(61,189)	(65,232)
Landfill closure costs	(428,000)	(569,000)
Total surplus	18,576,140	17,480,488
Reserves set aside for specific purpose by Council:		
Working Funds	(247,728)	537,187
Fire Department	50,000	50,000
Administration	116,533	116,533
Road Infrastructure	100,337	100,337
Mattagami Centre	176,000	176,000
Community Hall	247,000	247,000
Landfill	350,000	350,000
Arena	12,856	12,856
Public Works	124,646	124,646
Water Infrastructure	316,416	316,416
Sewer Infrastructure	112,791	112,791
Tax Stabilization	100,000	100,000
Modernization Funding	33,985	70,784
Land and Industrial Park Development	420,000	420,000
Seniors' Housing	560,000	560,000
Industrial Park	50,000	50,000
Recreation	25,000	25,000
Marketing	20,000	20,000
	2,567,836	3,389,550
Accumulated surplus	\$ 21,143,976	\$ 20,870,038

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 and accumulated surplus:

Approved budget:		
Total revenue per budget	\$	5,815,767
Less:		
Reserve transfers		(931,957)
Budget per financial statements	\$	4,883,810

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements

Year ended December 31, 2021

13. Contributions to unconsolidated joint boards:

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

	2021	2020
Porcupine Health Unit	\$ 46,685	\$ 46,685
District of Cochrane Social Services Administration Board	309,696	279,902
	\$ 356,381	\$ 326,587

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 and accumulated surplus:

	2021	2020
Sewage disposal system	\$ 162,834	\$ 149,938
Waterworks system	313,213	292,706
	\$ 476,047	\$ 442,644

The Municipality has entered into a new agreement with the Ontario Clean Water Agency that expires on December 31, 2030 to provide water and sewage maintenance service for an annual cost of approximately \$380,265. 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, 2023. During the year, \$304,763 (2020 - \$320,380) 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 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 2021 was \$106,725 (2020 - \$93,666) for current service.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements

Year ended December 31, 2021

16. Operations of school boards:

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

	2021	2020
Taxation	\$ 529,867	\$ 529,196

17. Trust funds:

The Trust Funds administered by the Municipality amounting to \$51,279 (2020 - \$50,355) have not been included on the consolidated statement of financial position nor have their operations been included on the consolidated statement of operations and accumulated surplus.

18. Public sector salary disclosure:

During 2021, three employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more by the Municipality.

19. Effects of COVID-19:

The Municipality's main sources of revenue are taxation revenue, government grants and user fees. In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. The Municipality halted all in-person activity and closed its facilities to staff for a period of time and moved to delivery of essential services in a virtual environment based on recommendations from Public Health Ontario. In the summer of 2020, certain in person services restarted with the organization currently utilizing a hybrid model for the delivery of services in compliance with Public Health regulations.

In response to the adverse impact the pandemic has had on certain revenue streams, the Municipality has undertaken certain cost cutting measures. The Provincial government has provided financial relief in the form of grants totaling \$51,200.

The impact of COVID-19 is expected to negatively impact operations for a duration that cannot be reasonably predicted. The further overall operational and financial impact is highly dependent on the duration of COVID-19, including the potential occurrence of additional waves of the pandemic, and could be affected by other factors that are currently not known at this time. Management is actively monitoring the effect of the pandemic on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the pandemic and the global responses to curb its spread, the Municipality is not able to fully estimate the effects of the pandemic on its results of operations, financial condition, or liquidity at this time.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements

Year ended December 31, 2021

20. 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.

(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.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements

Year ended December 31, 2021

20. Segmented information (continued):

(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.

21. Seniors' housing development:

The Municipality is currently undertaking development activities with respect to the construction and sale and/or lease of seniors' housing in the community. The Municipality's intention is to recover the cost of these development activities through the future marketing of housing units. The current year's financial statements do not include a receivable for future reimbursement of these costs as the timing and amount cannot be reasonably estimated at this time.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements

Year ended December 31, 2021

20. Segmented Information (continued):

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2021 Total
Revenues:									
Fees and user charges	\$ 30,286	\$ -	\$ -	\$ 964,135	\$ 16,399	\$ -	\$ 46,677	\$ 475	\$ 1,057,972
Province of Ontario grants	857,681	9,153	340,354	316,502	-	-	4,900	3,955	1,532,545
Government of Canada grants	439,019	-	121,394	-	-	-	-	-	560,413
Investment income	(41,124)	-	-	-	-	-	-	-	(41,124)
Other	266,924	43,065	-	93,389	650	-	52,821	-	456,849
	1,552,786	52,218	461,748	1,374,026	17,049	-	104,398	4,430	3,566,655
Expenses:									
Salaries, wages and benefits	581,238	68,519	488,093	122,209	9,093	-	205,765	152,675	1,627,592
Materials	335,379	64,637	301,472	299,499	7,908	-	410,905	139,829	1,559,629
Contracted services	185,098	318,544	68,506	559,402	47,296	309,696	25,010	11,468	1,525,020
Rents, financial expenses and other	136,727	-	-	-	-	-	-	-	136,727
Amortization of tangible capital assets	99,648	29,040	503,138	309,363	4,976	6,360	173,009	-	1,125,534
	1,338,090	480,740	1,361,209	1,290,473	69,273	316,056	814,689	303,972	5,974,502
Annual surplus (deficit) before the undemoted	214,696	(428,522)	(899,461)	83,553	(52,224)	(316,056)	(710,291)	(299,542)	(2,407,847)
Landfill closure liability recovery	-	-	-	(141,000)	-	-	-	-	(141,000)
Annual surplus (deficit)	214,696	(428,522)	(899,461)	224,553	(52,224)	(316,056)	(710,291)	(299,542)	(2,266,847)
Funded through:									
Taxation									2,540,785
Annual surplus									\$ 273,938

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements

Year ended December 31, 2021

20. Segmented Information (continued):

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2020 Total
Revenues:									
Fees and user charges	\$ 14,491	\$ -	\$ -	\$ 945,948	\$ 7,316	\$ -	\$ 40,455	\$ 1,020	\$ 1,009,230
Province of Ontario grants	861,288	12,278	256,560	38,535	-	-	-	3,955	1,172,616
Government of Canada grants	100,392	-	62,612	-	-	-	-	-	163,004
Investment income	50,502	-	-	-	-	-	-	-	50,502
Other	155,991	32,193	-	66,116	666	-	66,866	-	321,832
	1,182,664	44,471	319,172	1,050,599	7,982	-	107,321	4,975	2,717,184
Expenses:									
Salaries, wages and benefits	572,077	79,938	417,289	82,155	9,786	-	166,004	152,495	1,479,744
Materials	290,735	40,577	232,842	332,113	5,745	-	270,153	157,769	1,329,934
Contracted services	109,567	334,211	96,197	484,269	46,985	279,902	26,935	8,613	1,386,679
Rents, financial expenses and other	133,455	-	-	-	-	-	-	-	133,455
Amortization of tangible capital assets	90,816	55,935	562,374	311,703	5,809	7,058	163,709	-	1,197,404
	1,196,650	510,661	1,308,702	1,210,240	68,325	286,960	626,801	318,877	5,527,216
Annual deficit before the undernoted	(13,986)	(466,190)	(989,530)	(159,641)	(60,343)	(286,960)	(519,480)	(313,902)	(2,810,032)
Landfill closure liability expense	-	-	-	(385,000)	-	-	-	-	(385,000)
Annual surplus (deficit)	(13,986)	(466,190)	(989,530)	225,359	(60,343)	(286,960)	(519,480)	(313,902)	(2,425,032)
Funded through:									
Taxation									2,476,337
Annual surplus									\$ 51,305

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Schedule of Library Board Operations

Year ended December 31, 2021, with comparative information for 2020

	Budget 2021	Actual 2021	Actual 2020
	(note 12)		
Revenue:			
Municipal contribution	\$ 86,020	\$ 68,762	\$ 66,832
Other	-	4,900	-
	<u>86,020</u>	<u>73,662</u>	<u>66,832</u>
Expenses:			
Salaries and wages	45,000	41,466	38,326
Employee benefits	17,900	15,532	14,900
Books	9,000	7,604	5,593
Office and other	11,120	5,966	4,876
Telephone	3,000	3,094	3,137
	<u>86,020</u>	<u>73,662</u>	<u>66,832</u>
Excess of revenue over expenses	\$ -	\$ -	\$ -

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Schedule of Planning Board Operations

Year ended December 31, 2021, with comparative information for 2020

	Budget 2021	Actual 2021	Actual 2020
Revenue:			
Municipal contribution	\$ 35,520	\$ 7,037	\$ 3,638
Grants	3,960	3,955	3,955
Other revenue	-	475	1,020
	<u>39,480</u>	<u>11,467</u>	<u>8,613</u>
Expenses:			
Salaries and wages	26,010	-	-
Professional fees	7,900	11,467	8,613
Employee benefits	5,570	-	-
	<u>39,480</u>	<u>11,467</u>	<u>8,613</u>
Excess of revenue over expenses	\$ -	\$ -	\$ -