

Consolidated Financial Statements

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

Year ended December 31, 2016

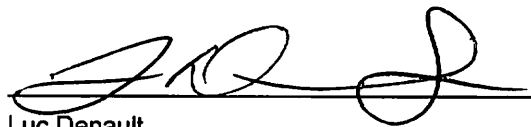
Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of the Town of Smooth Rock Falls (the "Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by Management.

Council meets with Management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Municipality. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.



Luc Denault
Chief Administrative Officer



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Smooth Rock Falls which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statements of operations, change in net financial assets (debt) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects the consolidated financial position of The Corporation of the Town of Smooth Rock Falls as at December 31, 2016, and its consolidated results of operations, its changes in net financial assets (debt) and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 3, 2017

Sudbury, Canada

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Consolidated Financial Statements

Year ended December 31, 2016

Consolidated Financial Statements

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THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

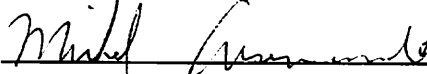
Consolidated Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Financial assets:		
Cash and cash equivalents	\$ 1,910,768	\$ 2,513,688
Due from Government of Canada	190,011	260,571
Due from Province of Ontario	187,322	300,000
Taxes and user charges receivable (note 2)	198,026	169,482
Accounts receivable	164,719	51,088
Long-term investments (note 4)	923,558	208,965
Long-term receivables (note 5)	23,595	26,545
	3,597,999	3,530,339
Financial liabilities:		
Accounts payable and accrued liabilities	649,154	1,281,850
Accrued post-retirement benefit obligations (note 6)	74,389	77,905
Deferred revenue	-	5,125
Deferred revenue - obligatory reserve funds (note 7)	177,747	146,795
Landfill closure and post-closure liability (note 8)	820,000	776,000
Long-term debt (note 9)	2,216,335	1,310,754
	3,937,625	3,598,429
Net debt	(339,626)	(68,090)
Non-financial assets:		
Tangible capital assets (note 10)	18,144,965	17,941,678
Prepaid expenses and inventory of supplies	50,854	55,953
	18,195,819	17,997,631
Commitments (note 14)		
Accumulated surplus (note 11)	\$ 17,856,193	\$ 17,929,541

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

Year ended December 31, 2016, with comparative information for 2015

	Budget 2016	Actual 2016	Actual 2015
Revenues:			
Taxation	\$ 2,296,550	\$ 2,310,832	\$ 2,266,333
Fees and user charges	700,631	837,835	768,154
Province of Ontario grants	915,330	1,013,701	2,728,388
Government of Canada grants	279,320	370,079	635,059
Investment income	28,000	37,836	48,013
Other	322,620	544,207	249,040
Total revenues	4,542,451	5,114,490	6,694,987
Expenses:			
Environmental services	887,480	1,258,985	1,172,239
General government	832,700	1,177,701	1,151,622
Transportation services	665,870	1,118,471	1,167,271
Recreation and cultural services	605,860	654,207	699,876
Protection to persons and property	433,920	479,467	420,920
Social and family services	277,550	273,144	257,602
Planning and development	184,090	169,392	173,469
Health services	60,740	56,471	56,149
Total expenses	3,948,210	5,187,838	5,099,148
Annual surplus (deficit)	594,241	(73,348)	1,595,839
Accumulated surplus, beginning of year	16,333,702	17,929,541	16,333,702
Accumulated surplus, end of year (note 11)	\$ 16,927,943	\$ 17,856,193	\$ 17,929,541

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

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Consolidated Statement of Change in Net Financial Assets (Debt)

Year ended December 31, 2016, with comparative information for 2015

	Budget 2016	Actual 2016	Actual 2015
Annual surplus (deficit)	\$ 594,241	\$ (73,348)	\$ 1,595,839
Acquisition of tangible capital assets	(297,422)	(1,236,548)	(4,024,222)
Amortization of tangible capital assets	-	1,033,261	989,613
Gain on disposal of tangible capital assets	-	-	(530)
Proceeds on disposal of tangible capital assets	-	-	530
Use of prepaid expenses	-	55,953	53,837
Acquisition of prepaid expenses and	-	(50,854)	(55,953)
	(297,422)	(198,188)	(3,036,725)
Change in net financial assets (debt)	296,819	(271,536)	(1,440,886)
Net financial assets (debt), beginning of the year	(68,090)	(68,090)	1,372,796
Net financial assets (debt), end of the year	\$ 228,729	\$ (339,626)	\$ (68,090)

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, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (73,348)	\$ 1,595,839
Items not involving cash:		
Amortization of tangible capital assets	1,033,261	989,613
Gain (loss) on disposal of tangible capital assets	-	(530)
Proceeds on disposal of tangible capital assets	-	530
Change in post-retirement benefit obligations	(3,516)	(2,805)
Change in landfill closure and post-closure liability	44,000	22,000
	<u>1,000,397</u>	<u>2,604,647</u>
Change in non-cash assets and liabilities:		
Increase in taxes and user charges receivable	(28,544)	(162)
Decrease (increase) in due from Province of Ontario	112,678	(267,424)
Decrease (increase) in due from Government of Canada	70,560	(197,709)
Decrease (increase) in accounts receivable	(113,631)	43,220
Increase (decrease) in prepaid expenses	5,099	(2,116)
Increase (decrease) in accounts payable and accrued liabilities	(632,696)	771,449
Decrease in deferred revenue	(5,125)	(969,493)
Increase (decrease) in deferred revenue - obligatory reserve funds	30,952	(12,816)
Net change in cash from operating activities	<u>439,690</u>	<u>1,969,596</u>
Capital activities:		
Cash used to acquire tangible capital assets	(1,236,548)	(4,024,222)
Net change in cash from capital activities	<u>(1,236,548)</u>	<u>(4,024,222)</u>
Investing activities:		
Decrease (increase) in long-term investments	(714,593)	1,106,131
Increase in long-term receivable	2,950	2,950
Net change in cash from investing activities	<u>(711,643)</u>	<u>1,109,081</u>
Financing activities:		
Repayment of long-term debt	(362,211)	(36,265)
Long-term debt issued	1,267,792	1,177,802
Net change in cash from financing activities	<u>905,581</u>	<u>1,141,537</u>
Net change in cash and cash equivalents	<u>(602,920)</u>	<u>195,992</u>
Cash and cash equivalents, beginning of year	2,513,688	2,317,696
Cash and cash equivalents, end of year	<u>\$ 1,910,768</u>	<u>\$ 2,513,688</u>

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, 2016

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

1. Significant accounting policies:

The consolidated financial statements of the Municipality are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Reporting entity:

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

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

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

(b) Basis of accounting:

Sources of financing and expenses are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenues as they become available and measurable. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(c) Tangible capital assets:

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

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

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

(i) Contributions of tangible capital assets

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

(ii) Natural resources

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

(iii) Works of art and cultural and historic assets

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

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(d) Revenue recognition:

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

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

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

(e) Use of estimates:

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

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

(f) School Boards:

The Municipality collects taxation revenue on behalf of the school boards. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these consolidated financial statements.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(g) Solid waste management liabilities:

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

(h) Pension and employee benefits:

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

2. Taxes and user charges receivable:

	2016	2015
Current	\$ 134,235	\$ 108,740
Past due	46,664	46,050
Penalties and interest	17,127	14,692
	<u>\$ 198,026</u>	<u>\$ 169,482</u>

3. Credit facilities:

The Municipality has available a \$750,000 (2015 – \$750,000) demand line of credit. This unsecured line of credit bears interest at the bank's prime rate. At December 31, 2016 \$Nil (2015 – \$Nil) has been drawn against this facility.

The Municipality also has available a \$375,000 (2015 – \$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, 2016 \$Nil (2015 – \$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, 2016.

5. Long-term receivable:

A long-term receivable in the amount of \$23,595 (2015 – \$26,545) is outstanding from the Smooth Rock Falls Economic Development Corporation for reimbursement of their portion of the Fifth Street Paved Shoulder Project. The receivable is unsecured, interest-free, and is repayable over 10 years.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

6. Accrued post-retirement benefits obligations:

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

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

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

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

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

	2016	2015
Accrued benefit obligation, beginning of year	\$ 77,905	\$ 80,710
Add: Benefit/service cost	3,155	3,280
Add: Interest	3,312	3,376
Less: Benefit payments	(10,243)	(10,366)
Add: Amortization of actuarial loss	260	905
Accrued benefit obligation, end of year	\$ 74,389	\$ 77,905
Unamortized actuarial gains (loss), beginning of year	\$ 766	\$ (7,236)
Actuarial gain – accrual	260	905
Actuarial gain – recognized on revaluation	-	7,097
Unamortized actuarial gains, end of year	\$ 1,026	\$ 766

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

	2016	2015
Discount rate	4.50%	4.00%
Inflation rate	2.00%	2.00%
Salary escalation	3.00%	3.00%
Dental care escalation	4.00%	4.00%
Health care escalation	Escalate at 4.6%% in 2017 and reducing to 4% in 2019	

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

7. Deferred revenue – obligatory reserve fund:

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

	December 31, 2015	Contributions received	Interest earned	Amounts taken to revenue	December 31, 2016
Federal gas tax reserves	\$ 146,795	83,670	–	(52,718)	177,747

8. Landfill closure and post-closure liability:

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

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

Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at Municipality's average long-term borrowing rate of 1.91% (2015 – 1.76%). The estimated total landfill closure and post-closure care expenses are calculated to be \$866,000. The estimated liability for these expenses is recognized as the landfill site's capacity is used. At December 31, 2016 an amount of \$820,000 (2015 – \$776,000) with respect to landfill closure and post-closure liabilities has been accrued.

The estimated remaining capacity of the landfill site is 5% of its total estimated capacity and its estimated remaining life is approximately 2 years. The period for post-closure care is estimated to be 25 years.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

9. Net long-term debt:

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

	2016	2015
Loan payable to Infrastructure Ontario (IO), payable in semi-annual installments of blended principal and interest at a rate of 1.47%, due in 2036	\$ 1,811,196	\$ 1,177,803
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	60,526	84,736
Loan payable to Infrastructure Ontario (IO), payable in semi-annual installments of blended principal and interest at a rate of 2.0%, due in 2019	36,161	48,215
Loan payable to Infrastructure Ontario (IO), payable in semi-annual installments of blended principal and interest at a rate of 2.54%, due in 2026	308,452	-
	\$ 2,216,335	1,310,754

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

2016	\$ 95,671
2017	101,674
2018	108,591
2019	102,643
2020	107,982
Thereafter	1,699,774

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued):

Year ended December 31, 2016

10. Tangible capital assets:

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

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

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

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued):

Year ended December 31, 2016

10. Tangible capital assets (continued):

Cost	Balance at December 31, 2014	Disposals	Additions	Balance at December 31, 2015
Land	\$ 244,342	-	5,000	249,342
Land improvements	196,589	-	-	196,589
Buildings	11,342,565	-	128,664	11,471,229
Vehicles	601,515	-	-	601,515
Equipment	3,137,432	-	29,145	3,166,577
Roads, bridges and culverts	10,544,706	-	3,861,413	14,406,119
Water and sewer	8,438,677	-	-	8,438,677
Total	\$ 34,505,826	-	4,024,222	38,530,048

Accumulated Amortization	Balance at December 31, 2014	Disposals	Amortization	Balance at December 31, 2015
Land improvements	\$ 114,589	-	7,454	122,043
Buildings	5,326,844	-	234,061	5,560,905
Vehicles	156,518	-	51,817	208,335
Equipment	2,240,858	-	117,467	2,358,325
Roads, bridges and culverts	6,670,303	-	414,091	7,084,394
Water and sewer	5,089,645	-	164,723	5,254,368
Total	\$ 19,598,757	-	989,613	20,588,370

	Net book value, December 31, 2014	Net book value, December 31, 2015
Land	\$ 244,342	249,342
Land improvements	82,000	74,546
Buildings	6,015,721	5,910,324
Vehicles	444,997	393,180
Equipment	896,574	808,252
Roads, bridges and culverts	3,874,403	7,321,725
Water and sewer	3,349,032	3,184,309
Total	\$ 14,907,069	17,941,678

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

11. Accumulated surplus:

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

	2016	2015
Surplus:		
Invested in tangible capital assets	\$ 15,928,630	\$ 16,630,942
General surplus (deficit)	-	(196,406)
Unfunded:		
Employee benefit obligations	(74,389)	(77,905)
Landfill closure costs	(820,000)	(776,000)
Total surplus	15,034,241	15,580,631
Reserves set aside for specific purpose by Council:		
Working funds	996,628	99,488
Fire Hall	10,000	10,000
Parks	17,259	17,259
Administration	153,199	154,268
Road infrastructure	206,337	333,337
Mattagami Centre	10,000	10,000
Outdoor Pool	1,029	10,000
Town Hall	-	20,000
Community Hall	10,000	10,000
Landfill	471,799	481,436
Arena	12,856	25,000
Land development	49,644	50,000
Public Works	88,760	88,760
Water Infrastructure	338,703	362,742
Sewer Infrastructure	140,207	152,675
Solid Waste Management	-	164,054
Waste Water Treatment Plant	159,891	159,891
Marketing	55,640	100,000
Tax Stabilization	100,000	100,000
	2,821,952	2,348,910
Accumulated surplus	\$ 17,856,193	\$ 17,929,541

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:	\$ 4,542,451
Total expenses per budget	
Less:	
Capital	(297,422)
Transfers to reserves	(296,819)
Budget per financial statements	\$ 3,948,210

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

13. Contributions to unconsolidated joint boards:

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

	2016	2015
Porcupine Health Unit	\$ 42,772	\$ 42,210
District of Cochrane Social Services Administration Board	270,512	254,969
Budget per financial statements	\$ 313,284	\$ 297,179

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:

	2016	2015
Sewage disposal system	\$ 151,714	\$ 153,821
Waterworks system	271,774	257,545
	\$ 423,488	\$ 411,366

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

The Municipality has entered into a police services contract with the Province of Ontario for the provision of police services within municipal boundaries. The contract is effective until December 31, 2020. During the year, \$262,771 (2015 – \$251,662) 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, 2016

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 2016 was \$76,195 (2015 – \$71,728) for current service.

16. Operations of school boards:

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

	2016	2015
Taxation	\$ 546,270	\$ 532,945

17. Trust funds:

The Trust Funds administered by the Municipality amounting to \$39,600.47 (2015 – \$34,626) have not been included on the consolidated statement of financial position nor have their operations been included on the consolidated statement of operations.

18. Public sector salary disclosure:

During 2016, one employee was paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more by the Municipality.

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

19. Segmented information:

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

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

(a) General Government:

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

(b) Protection Services:

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

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

(c) Transportation Services:

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

(d) Environmental Services:

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

(e) Health Services:

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

(f) Social and Family Services:

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

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

19. Segmented information (continued):

(g) Recreation and Cultural Services:

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

(h) Planning and Development:

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

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

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

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Note 19 - Segmented Information

Year ended December 31, 2016

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

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Note 19 - Segmented Information

Year ended December 31, 2016

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2015 Total
Revenues:									
Fees and user charges	\$ 8,895	-	-	674,490	15,599	-	67,370	1,800	768,154
Province of Ontario grants	782,235	6,764	1,913,370	-	-	-	22,064	3,955	2,728,388
Government of Canada grants	635,059	-	-	-	-	-	-	-	635,059
Investment income	48,013	-	-	-	-	-	-	-	48,013
Other	124,945	-	189	18,750	-	-	105,156	-	249,040
	1,599,147	6,764	1,913,559	693,240	15,599	-	194,590	5,755	4,428,654
Expenses:									
Salaries, wages and benefits	506,239	60,610	378,830	96,899	3,740	-	216,076	78,874	1,341,268
Materials	508,084	43,788	248,064	295,464	8,055	-	339,984	38,223	1,481,662
Contracted services	117,740	271,810	59,680	466,485	43,004	254,969	12,220	56,372	1,282,280
Rents, financial expenses and other	525	-	3,800	-	-	-	-	-	4,325
Amortization of tangible capital assets	19,034	44,712	476,897	313,391	1,350	2,633	131,596	-	989,613
	1,151,622	420,920	1,167,271	1,172,239	56,149	257,602	699,876	173,469	5,099,148
Excess (deficiency) of revenues over expenses	447,525	(414,156)	746,288	(478,999)	(40,550)	(257,602)	(505,286)	(167,714)	(670,494)
Funded through:									
Taxation									2,266,333
Annual surplus									\$ 1,595,839



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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, 2016 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 3, 2017
Sudbury, Canada

THE CORPORATION OF THE TOWN OF SMOOTH ROCK FALLS

Schedule of Library Board Operations

Year ended December 31, 2016, with comparative information for 2015

	Budget 2016	Actual 2016	Actual 2015
Revenue:			
Municipal contribution	\$ 75,880	72,274	45,647
Other	4,900	6,710	23,405
	<u>80,780</u>	<u>78,984</u>	<u>69,052</u>
Expenses:			
Salaries and wages	43,000	42,497	42,134
Employee benefits	14,360	14,452	8,400
Books	9,500	10,051	8,846
Office and other	11,420	9,339	7,704
Telephone	2,500	2,645	1,968
	<u>80,780</u>	<u>78,984</u>	<u>69,052</u>
Excess of revenue over expenses	\$ -	-	-