

**The Corporation of
The Township of Red Rock**
Consolidated Financial Statements
For the year ended December 31, 2018

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Statement of Administrative Responsibility

The management of the Corporation of the Township of Red Rock have prepared the accompanying financial statement and are responsible for their accuracy and integrity. The financial statements have been prepared by management in accordance with the accounting principles generally accepted for the public sector as prescribed by the Public Sector Accounting Board (PSAB) of Chartered Professional Accountants of Canada.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, Administration has developed and maintains a system of internal control designed to provide reasonable assurance the the Corporation's assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the financial statements.

The Chief Administrative Officer reviews the financial statements before such statements are submitted to Council and published for the residents of Red Rock. The external auditors have access to, and meet with Administration and Council to discuss their audit and the results of their examination.

The 2018 financial statements have been reported on by the Corporation of the Township of Red Rock's external auditors, BDO Canada LLP, the auditors appointed by Council. The auditor's report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.



Albert Headrick, Chief Administrative Officer

Independent Auditor's Report

To the Members of Council of The Corporation of the Township of Red Rock

Qualified Opinion

We have audited the consolidated financial statements of The Corporation of the Township of Red Rock, which comprise the consolidated statement of financial position as at December 31, 2018 and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Township as at December 31, 2018, and its consolidated results of operations, its consolidated change in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The Township has not determined the liabilities which will be associated with the closure and post-closure costs of its solid waste disposal facilities and, consequently, no provision for these liabilities has been made in these financial statements. This is a result of a decision taken by management in a prior year. Canadian public sector accounting standards require that a provision for closure and post-closure costs be provided for in the financial statements. Since we have been unable to obtain satisfactory evidence as to these liabilities, we were not able to determine whether any adjustment might be necessary to expenses, annual surplus, and cash flows from operations for the years ended December 31, 2018 and 2017, liabilities as at December 31, 2018 and 2017, and accumulated surplus as at January 1 and December 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Township in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical 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 qualified opinion.

Independent Auditor's Report (cont'd)

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

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Township'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 Township or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 these consolidated 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 consolidated 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 Township's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report (cont'd)

- 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 Township's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Township to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Township to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

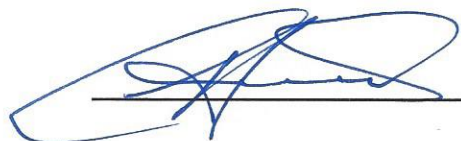
BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Thunder Bay, Ontario
September 19, 2019

The Corporation of the Township of Red Rock Consolidated Statement of Financial Position

December 31	2018	2017
Financial assets		
Cash (Note 2)	\$ 1,163,649	\$ 1,145,811
Portfolio investments (Note 3)	235,271	230,849
Taxes receivable	759,492	671,469
Accounts and grants receivable	133,333	210,589
User charges receivable	30,751	29,682
	<u>2,322,496</u>	<u>2,288,400</u>
Liabilities		
Accounts payable and accrued liabilities	158,842	231,239
Vested sick leave (Note 4)	73,348	75,109
Deferred revenue (Note 5)	174,312	148,146
Long-term debt (Note 6)	460,495	488,429
	<u>866,997</u>	<u>942,923</u>
Net financial assets	<u>1,455,499</u>	<u>1,345,477</u>
Non-financial assets		
Tangible capital assets (Note 7)	11,848,084	12,229,689
Prepaid expenses and inventories of supplies	45,866	36,042
	<u>11,893,950</u>	<u>12,265,731</u>
Accumulated surplus (Note 8)	<u>\$ 13,349,449</u>	<u>\$ 13,611,208</u>



Treasurer



Mayor

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

The Corporation of the Township of Red Rock Consolidated Statement of Change in Net Financial Assets

For the year ended December 31	2018 Budget	2018 Actual	2017 Actual
	(Note 17)		
Annual surplus (deficit)	\$ 4,620,335	\$ (261,759)	\$ (249,370)
Acquisition of tangible capital assets	(5,265,295)	(232,041)	(448,261)
Amortization of tangible capital assets	639,772	603,364	639,772
Loss on disposal of tangible capital assets	-	10,282	12,375
	(5,188)	119,846	(45,484)
Change in prepaid expenses and inventory of supplies	-	(9,824)	25,221
Net change in net financial assets	(5,188)	110,022	(20,263)
Net financial assets, beginning of year	1,345,477	1,345,477	1,365,740
Net financial assets, end of year	\$ 1,340,289	\$ 1,455,499	\$ 1,345,477

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

The Corporation of the Township of Red Rock Consolidated Statement of Cash Flows

For the year ended December 31	2018	2017
Operating transactions		
Annual deficit	\$ (261,759)	\$ (249,370)
Items not involving cash		
Amortization	603,364	639,772
Loss on disposal of tangible capital assets	10,282	12,375
Changes in non-cash operating balances		
Taxes receivable	(88,023)	56,419
Accounts and grants receivable	77,256	(70,923)
User charges receivable	(1,069)	34
Prepaid expenses and inventories of supplies	(9,824)	25,221
Accounts payable and accrued liabilities	(72,397)	797
Vested sick leave	(1,761)	(14,884)
Deferred revenue	26,166	(27,117)
	<u>282,235</u>	<u>372,324</u>
Capital transactions		
Acquisition of tangible capital assets	<u>(232,041)</u>	<u>(448,261)</u>
Investing transactions		
Purchase of portfolio investments	<u>(4,422)</u>	<u>(4,985)</u>
Financing transactions		
Repayment of long-term debt	<u>(27,934)</u>	<u>(27,054)</u>
Increase (decrease) in cash for the year	17,838	(107,976)
Cash, beginning of year	<u>1,145,811</u>	<u>1,253,787</u>
Cash, end of year	<u>\$ 1,163,649</u>	<u>\$ 1,145,811</u>

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

The Corporation of the Township of Red Rock

Notes to Consolidated Financial Statements

December 31, 2018

1. Significant Accounting Policies

Management's Responsibility for the Financial Statements The consolidated financial statements of the Township are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of Chartered Professional Accountants Canada. The Corporation of the Township of Red Rock (the "Township") is a municipality in the Province of Ontario and operates under the provisions of Provincial statutes, such as the Municipal Act and related legislation. The Township provides municipal services such as protection to persons and property, public works, transportation, planning, social and family, recreation and other general government services.

Reporting Entity The financial statements reflect the assets, liabilities, revenue and expenses of all municipal organizations, committees and Boards which are owned or controlled by the Township. The following entities have been consolidated:

Red Rock Public Library Board

All inter-entity transactions and balances have been eliminated with the exception of loans or advances between reserve funds and any other fund of the Township and the resulting interest income and expenditures.

A government partnership exists where the Township has shared control over the board or entity. The Township's pro-rata share of the assets, liabilities, revenues and expenditures is reflected in the financial statements using the proportionate consolidation method. There are no joint local boards accounted for in this manner in these financial statements.

The Township contributes to the following joint local boards, which are not proportionately consolidated in these statements:

Thunder Bay District Health Unit
Thunder Bay Area Emergency Measures Organization
Thunder Bay District Social Services Administration Board

Cash and Cash Equivalents Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.

Portfolio Investments Portfolio investments are recorded at cost unless there has been a decline in the market value, which is other than temporary in nature, in which case the investments are written down to market value.

The Corporation of the Township of Red Rock

Notes to Consolidated Financial Statements

December 31, 2018

1. Significant Accounting Policies (cont'd)

Inventories	Inventories held for consumption are recorded at the lower of cost and net realizable value.															
Accounting for School Board Transactions	The Township collects taxation revenue on behalf of the school boards. The taxation, other revenue, expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in the current fund balances of these consolidated financial statements. Education taxes collected by the Township and over-remitted or not remitted to the respective school boards as at December 31 are reported on the consolidated balance sheet as due to/from school boards.															
Tangible Capital Assets	<p>Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the assets are available for productive use as follows:</p> <table><tr><td>Land improvements</td><td>-</td><td>10 to 50 years</td></tr><tr><td>Buildings</td><td>-</td><td>8 to 60 years</td></tr><tr><td>Machinery and Equipment</td><td>-</td><td>3 to 30 years</td></tr><tr><td>Vehicles</td><td>-</td><td>5 to 20 years</td></tr><tr><td>Linear Assets</td><td>-</td><td>8 to 75 years</td></tr></table> <p>Assets under construction are not amortized until the asset is available for use.</p>	Land improvements	-	10 to 50 years	Buildings	-	8 to 60 years	Machinery and Equipment	-	3 to 30 years	Vehicles	-	5 to 20 years	Linear Assets	-	8 to 75 years
Land improvements	-	10 to 50 years														
Buildings	-	8 to 60 years														
Machinery and Equipment	-	3 to 30 years														
Vehicles	-	5 to 20 years														
Linear Assets	-	8 to 75 years														
Trust Funds	Any funds held in trust by the Township, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately.															
Retirement Benefits and Other Employee Benefit Plans	The Township is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Township records pension expense when contributions are due.															

The Corporation of the Township of Red Rock

Notes to Consolidated Financial Statements

December 31, 2018

1. Significant Accounting Policies (cont'd)

Deferred Revenue	Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.
Government Transfers	Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.
Revenue Recognition	Charges for water and sewer usage are recorded as user fees on the basis of consumption. Connection fee revenues are recognized when the connection has been established. Sales of goods and services are recognized when title is transferred or the services are rendered. Other revenue is recognized on an accrual basis.
Taxation Revenue	Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. Taxes receivable are recognized net of an allowance for anticipated uncollectible amounts.
Use of Estimates	The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates in these financial statements include assumptions used in estimating provisions for doubtful taxes and accounts receivable, useful lives of tangible capital assets, and landfill closure and post closure liabilities.

The Corporation of the Township of Red Rock

Notes to Consolidated Financial Statements

December 31, 2018

2. Cash

The Township's bank accounts earn interest at an effective interest rate of 2.45% (2017 - 1.95%).

The Township's credit facilities include a \$300,000 overdraft protection which carries interest at prime plus 0.75%. As at December 31, 2018, the Township utilized \$nil (2017 - \$nil) of this facility. The prime rate was 4.95% at December 31, 2018 (2017 - 4.20%).

3. Portfolio Investments

Portfolio investments have a market value of \$215,262 (2017 - \$212,056) and is comprised of a O.N.E. Bond Fund with an effective interest rate of 2.07% (2017 - 2.18%). Interest is accrued on a monthly basis.

4. Vested Sick Leave Liability

Under the sick leave benefits plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Township's employment.

The liability for these accumulated days, to the extent that they have vested and may be taken in cash by an employee on retirement, amounted to \$73,348 (2017 - \$75,109) at the end of the year.

Anticipated payments to employees who become eligible to retire are:

2019	\$ -
Subsequent to 2020	73,348
	<hr/>
	\$ 73,348
	<hr/>

The Corporation of the Township of Red Rock

Notes to Consolidated Financial Statements

December 31, 2018

5. Deferred Revenue

	2018	2017
Federal Gas Tax	\$ 147,863	\$ 125,626
Other	26,449	22,520
	<u>\$ 174,312</u>	<u>\$ 148,146</u>

Gas tax revenue is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Township, the Province of Ontario and the Association of Municipalities of Ontario. Gas tax funding may only be used towards eligible projects as specified in the funding agreement.

6. Long Term Debt

	2018	2017
Ontario Infrastructure Debenture		
Loan, unsecured, repayable \$17,470 semi-annually, including interest at 3.49%, maturing 2033	\$ 394,952	\$ 415,568
Ontario Infrastructure Debenture		
Loan, unsecured, repayable \$4,543 semi-annually, including interest at 2.49%, maturing 2026	65,543	72,861
	<u>\$ 460,495</u>	<u>\$ 488,429</u>

The Corporation of the Township of Red Rock

Notes to Consolidated Financial Statements

December 31, 2018

6. Long Term Debt (cont'd)

Principal payments due in the next five years and thereafter are as follows:

Year	Amount
2019	\$ 28,843
2020	29,782
2021	30,752
2022	31,755
2023	32,791
Thereafter	<u>306,572</u>
	<u>\$ 460,495</u>

Total payments for the year for Ontario infrastructure debenture debt were as follows:

	2018	2017
Principal payments	\$ 27,934	\$ 27,054
Interest payments	<u>16,094</u>	<u>16,974</u>
	<u>\$ 44,028</u>	<u>\$ 44,028</u>

The Corporation of the Township of Red Rock Notes to Consolidated Financial Statements

December 31, 2018

7. Tangible Capital Assets

	Land	Land Improvements	Land	Buildings	Machinery and Equipment	Library Collections,	Vehicles	Bridges and Culverts	Balance Forward
Cost, beginning of year	\$ 1,363,224	\$ 2,960,285	\$ 5,601,127	\$ 3,473,681	\$ 1,249,780	\$ 976,145	\$ 15,624,242		
Additions	-	-	-	-	76,997	-	-	-	76,997
Disposals and write downs	-	-	-	-	(54,964)	-	-	-	(54,964)
Cost, end of year	1,363,224	2,960,285	5,601,127	3,495,714	1,249,780	976,145	15,646,275		
Accumulated amortization, beginning of year	-	1,666,583	2,199,268	1,697,510	1,054,817	609,475	7,227,653		
Amortization	-	73,517	101,337	176,715	46,388	11,446	409,403		
Disposals and write downs	-	-	-	(47,837)	-	-	(47,837)		
Accumulated amortization, end of year	-	1,740,100	2,300,605	1,826,388	1,101,205	620,921	7,589,219		
Net carrying amount, end of year	\$ 1,363,224	\$ 1,220,185	\$ 3,300,522	\$ 1,669,326	\$ 148,575	\$ 355,224	\$ 8,057,056		

The Corporation of the Township of Red Rock
Notes to Consolidated Financial Statements

December 31, 2018

7. Tangible Capital Assets (cont'd)

	Balance Forward	Road Network	Storm Network	Waste Water Network	Water Network	Assets under Construction	2018 Total
Cost, beginning of year	\$ 15,624,242	\$ 2,325,527	\$ 483,100	\$ 2,258,672	\$ 3,422,270	\$ 788,648	\$ 24,902,459
Additions	76,997	86,517	-	-	13,583	54,944	232,041
Disposals and write downs	(54,964)	(15,682)	-	-	-	-	(70,646)
Cost, end of year	15,646,275	2,396,362	483,100	2,258,672	3,435,853	843,592	25,063,854
Accumulated amortization, beginning of year	7,227,653	1,666,159	303,688	1,384,391	2,090,879	-	12,672,770
Amortization	409,403	47,078	8,098	31,997	106,788	-	603,364
Disposals and write downs	(47,837)	(12,527)	-	-	-	-	(60,364)
Accumulated amortization, end of year	7,589,219	1,700,710	311,786	1,416,388	2,197,667	-	13,215,770
Net carrying amount, end of year	\$ 8,057,056	\$ 695,652	\$ 171,314	\$ 842,284	\$ 1,238,186	\$ 843,592	\$ 11,848,084

The Corporation of the Township of Red Rock Notes to Consolidated Financial Statements

December 31, 2018

7. Tangible Capital Assets (cont'd)

	Land	Land Improvements	Land	Buildings	Machinery and Equipment	Library Collections,	Vehicles	Bridges and Culverts	Balance Forward
Cost, beginning of year	\$ 1,363,224	\$ 2,960,285	\$ 5,568,880	\$ 3,425,566	\$ 1,251,237	\$ 923,313	\$ 15,492,505		
Additions	-	-	32,247	108,325	49,035	52,832	242,439		
Disposals and write downs	-	-	-	(60,210)	(50,492)	-	(110,702)		
Cost, end of year	1,363,224	2,960,285	5,601,127	3,473,681	1,249,780	976,145	15,624,242		
Accumulated amortization, beginning of year	-	1,587,619	2,097,675	1,582,263	1,046,955	597,394	6,911,906		
Amortization	-	78,964	101,593	175,457	45,979	12,081	414,074		
Disposals and write downs	-	-	-	(60,210)	(38,117)	-	(98,327)		
Accumulated amortization, end of year	-	1,666,583	2,199,268	1,697,510	1,054,817	609,475	7,227,653		
Net carrying amount, end of year	\$ 1,363,224	\$ 1,293,702	\$ 3,401,859	\$ 1,776,171	\$ 194,963	\$ 366,670	\$ 8,396,589		

The Corporation of the Township of Red Rock
Notes to Consolidated Financial Statements

December 31, 2018

7. Tangible Capital Assets (cont'd)

	Balance Forward	Road Network	Storm Network	Waste Water Network	Water Network	Assets under Construction	2017 Total
Cost, beginning of year	\$ 15,492,505	\$ 2,325,527	\$ 483,100	\$ 2,258,672	\$ 3,311,440	\$ 693,656	\$ 24,564,900
Additions	242,439	-	-	-	110,830	94,992	448,261
Disposals and write downs	(110,702)	-	-	-	-	-	(110,702)
Cost, end of year	15,624,242	2,325,527	483,100	2,258,672	3,422,270	788,648	24,902,459
Accumulated amortization, beginning of year	6,911,906	1,616,634	295,590	1,351,496	1,955,699	-	12,131,325
Amortization	414,074	49,525	8,098	32,895	135,180	-	639,772
Disposals and write downs	(98,327)	-	-	-	-	-	(98,327)
Accumulated amortization, end of year	7,227,653	1,666,159	303,688	1,384,391	2,090,879	-	12,672,770
Net carrying amount, end of year	\$ 8,396,589	\$ 659,368	\$ 179,412	\$ 874,281	\$ 1,331,391	\$ 788,648	\$ 12,229,689

The Corporation of the Township of Red Rock

Notes to Consolidated Financial Statements

December 31, 2018

8. Accumulated Surplus

The Township segregates its accumulated surplus into the following categories:

	2018	2017
Investment in tangible capital assets	\$ 11,848,084	\$ 12,229,689
Current funds to be applied to operations of local boards for the following year	44,018	43,060
Reserves set aside for specific purpose by Council:		
Working capital	1,224,142	1,089,354
Sewer and water	63,853	63,853
Reserve funds:		
Forest fire costs	18,307	17,952
Project Remove	6,205	6,075
Employee retirement costs	(68,246)	(55,500)
Administrative capital expenditure	24,118	31,655
Recreational capital expenditure	22,893	25,911
Library capital expenditure	13,939	10,994
Public works capital expenditure	14,489	15,574
Protection to persons and property	14,441	23,831
Tax refunds	4,880	4,778
Water capital expenditure	65,120	58,856
Sewer capital expenditure	28,915	23,404
Ontario Community Infrastructure	24,291	21,722
	<u>\$ 13,349,449</u>	<u>\$ 13,611,208</u>

9. Expenses By Object

	Budget 2018	2018	2017
Salaries, wages and employee benefits	\$ 1,245,067	\$ 1,235,610	\$ 1,211,221
Materials and supplies	852,101	733,705	705,253
Contracted services	327,496	378,671	334,421
Rents and financial expenses	125,869	84,437	80,778
Provision for doubtful taxes receivable	-	354,130	370,037
Donations	5,000	6,432	2,198
Contributions to unconsolidated joint boards:			
Thunder Bay District Health Unit	19,905	19,905	19,905
Thunder Bay Area Emergency Measures Organization	19,905	-	-
Thunder Bay District Social Services Administration Board	50,950	49,662	54,477
Amortization	639,772	603,364	639,772
	<u>\$ 3,286,065</u>	<u>\$ 3,465,916</u>	<u>\$ 3,418,062</u>

The Corporation of the Township of Red Rock

Notes to Consolidated Financial Statements

December 31, 2018

10. Government Transfers

	Budget 2018	2018	2017
Federal Transfers			
Federal Gas Tax	\$ 60,007	\$ 37,770	\$ 79,621
Infrastructure Canada	1,666,667	19,076	45,963
Federation of Canadian Municipalities	-	50,000	-
Employment and Social Development Canada	7,500	5,040	5,712
	<u>1,734,174</u>	<u>111,886</u>	<u>131,296</u>
Provincial Transfers			
Association of Municipalities of Ontario	-	38,437	-
Ontario Clean Water and Waste Water Fund	-	-	80,867
Ontario Municipal Partnership Fund	640,600	640,600	643,100
Ministry of Agriculture, Food and Rural Affairs	3,383,333	50,000	88,855
Northern Ontario Heritage Fund	18,100	63,667	9,069
TBDSSAB	-	10,750	-
Other	8,242	11,064	14,304
	<u>4,050,275</u>	<u>814,518</u>	<u>836,195</u>
	<u>\$ 5,784,449</u>	<u>\$ 926,404</u>	<u>\$ 967,491</u>

The Corporation of the Township of Red Rock

Notes to Consolidated Financial Statements

December 31, 2018

11. Employee Benefits Plan Liability

The Township makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of its full time 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. OMERS provides pension services to more than 496,000 active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2018. The results of this valuation disclosed total actuarial liabilities of \$100.1 billion (\$94.4 billion in 2017) in respect of benefits accrued for service with actuarial assets at that date of \$95.9 billion (\$89 billion in 2017) indicating an actuarial deficit of \$4.2 billion (\$5.4 billion in 2017). Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Township does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the Township to OMERS with respect of the employee and employer portions for 2018 was \$153,784 (\$160,181 in 2017), which is included as an expenditure on the consolidated statement of operations and accumulated surplus.

12. Policing

Effective 2015, the OPP provides policing services to the Township by default. The annual cost of policing is determined under the Police Services Act O.Reg 267/14. The total cost of policing services expensed for 2018 was \$150,188 (2017 - \$165,838) after adjusting for rebates.

13. Public Sector Salary Disclosure Act

For 2018, no employees of the Township were paid salaries of \$100,000 or more, as defined in the Public Sector Salary Disclosure Act, 1996.

14. Contingent Liability

As at December 31, 2018, there was an outstanding claim pending against the Township for which the amount of settlement, if any, was not determinable. Consequently, no provision for this claim has been made in these financial statements.

The Corporation of the Township of Red Rock

Notes to Consolidated Financial Statements

December 31, 2018

15. Subsequent Event

Subsequent to the year end, the Township exercised its option to acquire certain Red Rock Mill properties. The cash consideration of \$10 was waived by the transferor. The Township still reserves the right to acquire a portion of the water lots moving forward.

16. Contaminated Sites

The Township has evaluated all of its properties and has determined that of the properties not in productive use, none met the applicable criteria of Public Sector Accounting Handbook Standard, PS 3260 Liability for Contaminated Sites. Therefore, no liability has been accrued.

17. Budget

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statements of operations and change in net financial assets for comparative purposes. The 2018 budget amounts for the Township approved by Council have been restated to conform to the basis of preparation of the revenues and expenses on the consolidated statements. As a result, the budget figures presented in the statements of operations and change in net financial assets was adjusted as follows:

Approved budget surplus for the year	\$ -
Add:	
Capital expenditures	5,265,295
Budgeted transfers to reserves	233,007
Less:	
Budgeted transfers from reserves	(238,195)
Amortization	(639,772)
Budget surplus per statement of operations	<u>\$ 4,620,335</u>

The Corporation of the Township of Red Rock Notes to Consolidated Financial Statements

December 31, 2018

18. Segmented Information

The Corporation of the Township of Red Rock is a diversified municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

a) General Government

This area relates to the operations of the Municipality itself and cannot be directly attributed to a specific segment.

b) Protection to Persons and Property

Protection is comprised of police services, fire protection and ambulance services. The police services work is to ensure the safety and protection of the citizens and their property. The fire department is responsible for providing fire suppression service, fire prevention programs, training and education. The members of the fire department consist of volunteers. The ambulance service transports the injured to the hospital and provides emergency medical care to those in distress.

c) Transportation Services

Transportation is responsible for providing the Municipality's road maintenance services.

d) Environmental Services

Environmental services provides waste disposal services to citizens as well as maintaining the Municipality's sewer and drinking water systems. They process and clean sewage and ensure the Municipality's water system meets all Provincial standards.

e) Health Services

Health services are comprised of public health services, which work to improve the overall health of the population and overcome health inequalities by providing services to individuals and the community.

f) Social and Family Services

Social service provides services that are meant to help the less fortunate in society. Social housing is provided to help shelter families and elderly in need.

The Corporation of the Township of Red Rock

Notes to Consolidated Financial Statements

December 31, 2018

18. Segmented Information (cont'd)

g) Recreational and Cultural Services

This service area provides services meant to improve the health and development of the Municipality's citizens. Recreational and cultural programs such as, swimming and skating lessons and English as a second language are provided at arenas, aquatic centres and community centres. Also, the Municipality provides library services to assist with its citizens' informational needs.

h) Planning and Development

This department provides a number of services including municipal planning, maintenance and enforcement of building and construction codes, and review of all property development plans through its application process.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The Corporation of the Township of Red Rock Notes to Consolidated Financial Statements

December 31, 2018

18. Segmented Information (cont'd)

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2018 Total
Expenses									
Salaries, wages and employee benefits	\$ 358,796	\$ 39,094	\$ 340,154	\$ 212,475	\$ -	\$ -	\$ 247,638	\$ 37,453	\$ 1,235,610
Materials and supplies	94,549	37,979	127,426	196,037	-	-	249,464	28,250	733,705
Contracted services	89,371	154,734	4,834	43,449	30,072	-	9,773	46,438	378,671
Rents and financial	39,455	7,729	3,706	15,425	-	-	18,122	-	84,437
Provision for doubtful taxes									
receivable	354,130	-	-	-	-	-	-	-	354,130
Outside transfers	6,432	-	-	-	19,905	49,662	-	-	75,999
Amortization	12,666	36,904	110,651	148,433	-	-	294,456	254	603,364
	\$ 955,399	\$ 276,440	\$ 586,771	\$ 615,819	\$ 49,977	\$ 49,662	\$ 819,453	\$ 112,395	\$ 3,465,916

The Corporation of the Township of Red Rock
Notes to Consolidated Financial Statements

December 31, 2018

18. Segmented Information (cont'd)

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2017 Total
Expenses									
Salaries, wages and employee benefits	\$ 378,278	\$ 37,864	\$ 346,898	\$ 193,063	\$ -	\$ -	\$ 218,344	\$ 36,774	\$ 1,211,221
Materials and supplies	82,509	37,778	135,054	177,579	-	-	239,617	32,716	705,253
Contracted services	94,475	169,571	1,441	33,012	29,188	-	4,190	2,544	334,421
Rents and financial	32,426	7,961	3,803	16,410	-	-	20,178	-	80,778
Provision for doubtful taxes	370,037	-	-	-	-	-	-	-	370,037
receivable									
Outside	2,198	-	-	-	19,905	54,477	-	-	76,580
transfers	9,770	33,616	114,082	177,713	-	-	304,199	392	639,772
Amortization									
	\$ 969,693	\$ 286,790	\$ 601,278	\$ 597,777	\$ 49,093	\$ 54,477	\$ 786,528	\$ 72,426	\$ 3,418,062

The Corporation of the Township of Red Rock

Schedule of Current Fund Operations

For the year ended December 31	2018 Budget	2018 Actual	2017 Actual
	(Note 17)		
Revenue			
Residential and farm taxation	\$ 1,109,903	\$ 1,109,323	\$ 1,085,720
Commercial and industrial taxation	382,602	385,786	381,646
Taxation from other governments	68,407	68,405	66,572
Water and sewer billings	329,794	307,171	311,016
Other fees and service charges	195,645	176,451	160,946
Government of Canada grants	1,734,174	111,886	131,296
Province of Ontario grants	4,050,275	814,518	836,195
Permits and late penalty charges	22,600	207,921	182,476
Investment income	13,000	32,978	25,200
Loss on disposal of tangible capital assets	-	(10,282)	(12,375)
	7,906,400	3,204,157	3,168,692
Expenses			
General government	602,521	955,399	969,693
Protection to persons and property	311,759	276,440	286,790
Transportation services	623,967	586,771	601,278
Environmental services	690,567	615,819	597,777
Health services	49,975	49,977	49,093
Social and family services	50,950	49,662	54,477
Recreational and cultural services	854,234	819,453	786,528
Planning and development	102,092	112,395	72,426
	3,286,065	3,465,916	3,418,062
Net revenue, for the year	4,620,335	(261,759)	(249,370)
Financing and transfers			
Transfers to reserves and reserve funds	(233,007)	(550,822)	(515,200)
Transfers from reserves and reserve funds	238,195	431,932	565,058
	5,188	(118,890)	49,858
Change in fund balance, for the year	4,625,523	(380,649)	(199,512)
Current fund, beginning of the year	12,272,749	12,272,749	12,472,261
Current fund, end of the year	\$ 16,898,272	\$ 11,892,100	\$ 12,272,749

The Corporation of the Township of Red Rock Consolidated Schedule of Reserves and Reserve Funds

For the year ended December 31	2018	2017
Reserves		
Balance, beginning of year	\$ 1,153,207	\$ 1,072,064
Transfers to/from other funds		
Contributions from current operations	412,508	374,820
Contributions to current operations	(277,716)	(293,677)
	134,792	81,143
Balance, end of year	\$ 1,287,999	\$ 1,153,207
Reserve Funds		
Balance, beginning of year	\$ 185,252	\$ 316,253
Transfers from other funds		
Contributions from current operations	127,707	117,280
Interest earned	8,846	8,216
Change in vested sick leave liability	1,761	14,884
	138,314	140,380
Transfers to other funds		
Contributions to current operations	(154,216)	(271,381)
Balance, end of year	\$ 169,350	\$ 185,252

The Corporation of the Township of Red Rock

Schedule of Water Operations

(Unaudited)

For the year ended December 31	2018	2017
Revenue		
Residential/Commercial	\$ 190,079	\$ 192,483
Grants	-	80,867
Other	25,774	3,529
	<u>215,853</u>	<u>276,879</u>
Expenses		
Administration	5,398	5,554
Generating plant	33,640	41,775
Hydrants	4,824	10,514
Laterals	7,747	4,704
Mains	7,262	2,526
Meter reading	260	-
Plant	158,023	137,644
Pumping stations	1,085	797
Tower	8,817	8,350
	<u>227,056</u>	<u>211,864</u>
Surplus (deficiency) of revenue over expenses for the year before amortization	<u>(11,203)</u>	<u>65,015</u>
Amortization		
Pumping station	13,210	15,406
Plant	76,512	102,698
Mains	8,119	8,119
Hydrants	938	938
Tower	15,877	15,877
Generating plant	960	960
	<u>115,616</u>	<u>143,998</u>
Deficiency of revenue over expenses for the year	<u>\$ (126,819)</u>	<u>\$ (78,983)</u>

The Corporation of the Township of Red Rock
Schedule of Sewer Operations
(Unaudited)

For the year ended December 31	2018	2017
Revenue		
Residential/Commercial	\$ 116,543	\$ 117,713
Grants	19,076	84,818
Other	206	330
	<u>135,825</u>	<u>202,861</u>
Expenses		
Laterals	3,010	1,869
Mains	746	56
Plant	101,309	90,140
Pumping station	2,655	610
	<u>107,720</u>	<u>92,675</u>
Excess of revenue over expenses for the year before amortization	<u>28,105</u>	<u>110,186</u>
Amortization		
Mains	23,219	23,219
Plants	9,598	10,496
	<u>32,817</u>	<u>33,715</u>
Surplus (deficiency) of revenue over expenses for the year	<u>\$ (4,712)</u>	<u>\$ 76,471</u>