

Town of Renfrew

Financial Statements

For the year ended 31 December 2017

MACKILLICAN & ASSOCIATES

CHARTERED PROFESSIONAL ACCOUNTANTS



Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Town of Renfrew (the "Town") are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of the significant accounting policies is contained 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 Town'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.

The 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 MacKillican & Associates, independent external auditors appointed by the Town. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

Keray M. O'Reilly
Treasurer

Town of Renfrew
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For the year ended 31 December 2017

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MACKILLICAN
& ASSOCIATES
CHARTERED PROFESSIONAL
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INDEPENDENT AUDITOR'S REPORT

To the Members of Council,
Inhabitants and Ratepayers of the
Corporation of the Town of Renfrew.

We have audited the accompanying consolidated financial statements of the Corporation of the Town of Renfrew which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's 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 the auditor's 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, the auditor considers 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, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the Town of Renfrew and its local boards as at 31 December 2017, and the results of their operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards for local governments.

Mackilligan & Associates

RENFREW, Ontario.
22 May 2018.

Chartered Professional Accountants,
Licensed Public Accountants.

Town of Renfrew
Consolidated Statement of Financial Position
As at 31 December 2017
(with 2016 figures for comparison)

	<u>2017</u>	<u>2016</u>
Financial assets:		
Cash	\$ 6,640,642	\$ 4,354,590
Taxes receivable	1,570,776	1,081,641
Accounts receivable	1,748,140	1,589,637
User charges receivable	1,169,252	1,170,497
Other assets	1,920	5,712
Investment in government business enterprises (Note 4)	<u>12,364,282</u>	<u>10,809,730</u>
	<u>\$ 23,495,012</u>	<u>\$ 19,011,807</u>
Financial liabilities:		
Accounts payable and accrued liabilities	\$ 2,468,866	\$ 2,265,039
Deferred revenue - obligatory reserve funds (Note 6 (a))	1,802,435	1,736,302
- other (Note 6 (b))	2,940,241	568,603
Net long term liabilities (Note 11)	10,903,750	11,448,750
Landfill closure and post closure costs (Note 7)	1,491,396	1,406,054
Employee future benefits	<u>248,142</u>	<u>188,069</u>
	<u>\$ 19,854,830</u>	<u>\$ 17,612,817</u>
Net financial assets	<u>\$ 3,640,182</u>	<u>\$ 1,398,990</u>
Non-financial assets:		
Tangible capital assets (net) (Note 10)	\$ 97,633,598	\$ 98,808,950
Inventory of supplies	160,191	169,566
Prepaid expenses	<u>145,939</u>	<u>153,157</u>
	<u>\$ 97,939,728</u>	<u>\$ 99,131,673</u>
Municipal equity	<u>\$ 101,579,910</u>	<u>\$ 100,530,663</u>
Municipal equity comprised of:		
Equity in tangible capital assets (Note 13)	\$ 83,754,664	\$ 85,495,714
Reserves	7,887,747	6,516,091
General	(718,920)	(718,920)
Renfrew Downtown Business Association	31,675	22,171
Equity in government business enterprises (Note 4)	12,364,282	10,809,730
Unfunded - employee future benefit costs (Note 2)	(248,142)	(188,069)
Unfunded - landfill closure and post closure costs (Note 2)	<u>(1,491,396)</u>	<u>(1,406,054)</u>
Total Municipal equity	<u>\$ 101,579,910</u>	<u>\$ 100,530,663</u>

(See accompanying notes)

Town of Renfrew
Consolidated Statement of Operations and Accumulated Surplus
For the year ended 31 December 2017
(with 2017 budget and 2016 actual figures for comparison)

	<u>2017</u> <u>Budget</u>	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
Revenue:			
Taxation	\$ 8,023,190	\$ 8,099,427	\$ 7,830,368
Government transfers:			
Ontario	4,267,620	2,645,309	4,889,962
Canada	1,430,270	842,549	1,220,965
Other municipalities	164,870	184,805	177,939
Other	7,314,125	8,807,324	8,559,325
Loss on disposal of capital assets		(273,363)	(1,518,387)
Landfill closure cost adjustment (Note 7)		(85,342)	(85,343)
	<u>\$ 21,200,075</u>	<u>\$ 20,220,709</u>	<u>\$ 21,074,829</u>
Expenses:			
General government	\$ 1,700,107	\$ 1,690,209	\$ 1,771,469
Protection to persons and property	3,963,016	3,941,734	3,929,090
Transportation services	5,504,243	5,220,196	5,479,562
Environmental services	5,987,680	5,552,014	5,896,972
Recreation and cultural services	2,266,458	2,419,975	2,227,750
Planning and development	<u>326,180</u>	<u>347,334</u>	<u>273,691</u>
	<u>\$ 19,747,684</u>	<u>\$ 19,171,462</u>	<u>\$ 19,578,534</u>
Excess of revenue over expenses	\$ 1,452,391	\$ 1,049,247	\$ 1,496,295
Accumulated surplus at the beginning of the year	<u>100,530,663</u>	<u>100,530,663</u>	<u>99,034,368</u>
Accumulated surplus at the end of the year	<u>\$ 101,983,054</u>	<u>\$ 101,579,910</u>	<u>\$ 100,530,663</u>

(See accompanying notes)

Town of Renfrew
Consolidated Statement of Changes in Net Financial Assets
For the year ended 31 December 2017
(with 2017 budget and 2016 actual figures for comparison)

	<u>2017</u> <u>Budget</u>	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
Excess of revenue over expenses	\$ 1,452,391	\$ 1,049,247	\$ 1,496,295
Amortization of tangible capital assets	4,777,121	4,777,121	4,696,304
Acquisition of tangible capital assets and construction in progress	(4,739,788)	(3,875,132)	(7,328,743)
Loss on disposal of capital assets		273,363	1,529,456
Use of (acquisition of) prepaid expenses		7,218	231,634
Use of (acquisition of) inventory		<u>9,375</u>	<u>(23,998)</u>
Increase in net financial assets	\$ 1,489,724	\$ 2,241,192	\$ 600,948
Net financial assets at the beginning of the year	<u>1,398,990</u>	<u>1,398,990</u>	<u>798,042</u>
Net financial assets at the end of the year	\$ <u>2,888,714</u>	\$ <u>3,640,182</u>	\$ <u>1,398,990</u>

(See accompanying notes)

Town of Renfrew

Consolidated Statement of Cash Flows

For the year ended 31 December 2017
(with 2016 figures for comparison)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 1,049,247	\$ 1,496,295
Add items which do not involve cash:		
- amortization	4,777,121	4,696,304
- loss on disposal of assets	273,363	1,529,456
- landfill closure and post closure costs	85,342	85,343
- employee future benefits	<u>60,073</u>	<u>269</u>
	\$ <u>6,245,146</u>	\$ <u>7,807,667</u>
Net change in non cash working capital balances related to operations:		
- decrease (increase) in taxes receivable	\$ (489,135)	\$ (52,497)
- decrease (increase) in other assets	3,792	(406)
- decrease (increase) in accounts receivable	(316,398)	(430,546)
- decrease (increase) in prepaid expenses	7,218	231,634
- decrease (increase) in user charges receivable	1,245	7,668
- decrease (increase) in inventory	9,375	(23,998)
- increase (decrease) in accounts payable and accrued liabilities	<u>361,722</u>	<u>328,397</u>
	\$ <u>(422,181)</u>	\$ <u>60,252</u>
Cash flows from operating activities	\$ <u>5,822,965</u>	\$ <u>7,867,919</u>
Cash flows from financing activities:		
Repayment of long term debt	\$ (545,000)	\$ (567,500)
Proceeds from long term debt		750,000
Increase (decrease) in deferred revenue - obligatory reserve funds	66,133	(80,934)
Increase (decrease) in deferred revenue - other	<u>2,371,638</u>	<u>(989,100)</u>
Cash flows from (used for) financing activities	\$ <u>1,892,771</u>	\$ <u>(887,534)</u>
Cash flows used for capital activities:		
Additions to tangible capital assets:		
General government		\$ (231,347)
Protection services	\$ (44,295)	(160,841)
Tourism	(193,172)	
Development and works	(3,574,620)	(6,391,169)
Recreation and cultural services	<u>(63,045)</u>	<u>(545,386)</u>
Cash flows used for capital activities	\$ <u>(3,875,132)</u>	\$ <u>(7,328,743)</u>
Cash flows used for investing activities:		
Additions to investment in government business enterprises	\$ <u>(1,554,552)</u>	\$ <u>(563,496)</u>
Increase (decrease) in cash and cash equivalents during the year	\$ 2,286,052	\$ (911,854)
Cash and cash equivalents at the beginning of the year	<u>4,354,590</u>	<u>5,266,444</u>
Cash and cash equivalents at the end of the year	\$ <u>6,640,642</u>	\$ <u>4,354,590</u>

(See accompanying notes)

Town of RenfrewNotes to the Consolidated Financial StatementsFor the year ended 31 December 2017

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the Town of Renfrew are the representation of management prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

The focus of PSAB financial statements is on the financial position of the Town and changes thereto. The Consolidated Statement of Financial Position reports financial assets and liabilities. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. Municipal surplus represents the financial position of the Town and is the difference between financial assets and liabilities. This information explains the Town's overall future revenue requirements and its ability to finance activities and meet its obligations.

(a) Reporting Entity

- (i) The consolidated financial statements reflect financial assets, liabilities, operating revenues and expenditures, reserves, reserve funds, and changes in investment in tangible capital assets of the Town. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Town and which are owned or controlled by the Town. Interdepartmental and organizational transactions and balances between these organizations are eliminated.

These consolidated financial statements include:

- Town of Renfrew Waterworks
- Town of Renfrew Wastewater System
- Renfrew Public Library Board
- Renfrew Downtown Business Association

(ii) Accounting for County and School Board Transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the county and school boards are not reflected in the municipal fund balances of these financial statements.

- (iii) Trust funds and their related operations administered by the Town are not included in these financial statements but are reported separately.

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenue; expenses are recognized in the period goods or services are acquired and a liability is incurred or transfers are due.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed.

Town of Renfrew

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(c) Non-financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

(d) Tangible Capital Assets

(i) Tangible capital assets (TCAs) are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Where the cost was not readily determinable, the assets were valued at their current fair market value and then discounted back to their in-service date using the Consumer Price Index (CPI). Where cost was not readily determinable, the land was given a value of \$ 1.00 per segment. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	20 - 30 years
Facilities	15 - 95 years
Equipment	5 - 30 years
Rolling stock	7 - 25 years
Infrastructure	10 - 100 years

Amortization is calculated commencing the first month of the year following acquisition using the above rates. In the year of disposal, a full year of amortization will be charged against the asset. Capital work in progress is not amortized until it is put into service.

The Town has a capitalization threshold of \$ 5,000, so that individual TCAs of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons.

(ii) Contribution of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the assets as of the date of transfer.

(iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(iv) Inventories

Inventories held for consumption are recorded at the lower of cost or replacement cost.

(e) Investment Income

Investment income earned on current funds (other than obligatory reserve funds) is reported as revenue in the period earned. Investment income earned on externally restricted funds is added to the fund balance and forms part of the respective deferred revenue balance.

(f) Government Transfers

Government transfers are the transfers of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or are the result of a direct financial return.

Town of Renfrew

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

(g) **Deferred Revenue**

Certain amounts are received pursuant to regulations or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

(h) **Deferred Revenue - Obligatory Reserve Funds**

The Town receives restricted contributions under the authority of provincial and federal legislation and Town by-laws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenditures are recorded as revenue in the fiscal period they are expended.

(i) **Use of Estimates**

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates. Significant estimates include the allowance for doubtful taxes, landfill closure and post closure costs, employee future benefits and the useful life and recoverable amounts of tangible capital assets.

(j) **Cash and Cash Equivalents**

Cash and cash equivalents are comprised of cash on hand and in bank and investments due no greater than three months from the date of acquisition or that are cashable on demand.

(k) **Revenue Recognition**

Taxation revenue consists of non-exchange transactions. It is recognized in the period to which the assessment relates and reasonable estimates of amounts can be made. Annual revenue also includes adjustments related to reassessments or appeals related to prior years. Fees and user charges relate to licensing fees, fees for use of various programming, and fees imposed based on specific activities. Revenue is recognized when the activity is performed or when the services are rendered.

(l) **Financial Instruments**

Financial instruments include cash, accounts receivable, user charges receivable, accounts payable and accrued liabilities and net long term liabilities. Unless otherwise noted, it is management's opinion that the Town is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The carrying amounts reported on the statement of financial position for cash, accounts receivable, user charges receivable and accounts payable and accrued liabilities, approximate their fair values, due to the immediate and short term maturities of these financial instruments.

The fair value of net long term liabilities, including the current portion, is based on rates currently available to the Town with similar terms and maturities and approximates its carrying amounts as disclosed on the statement of financial position.

2. AMOUNTS TO BE RECOVERED

Amounts to be recovered represent the requirement of the Town to raise funds in subsequent periods to finance unfunded liabilities, comprised of the landfill closure and post closure liabilities and employee future benefit costs.

Town of Renfrew

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. TRUST FUNDS

Trust funds administered by the Town, totaling \$ 253,206 (2016 - \$ 232,645) are presented in separate financial statements of trust fund financial position and operations. As such, balances held in trust by the Town for the benefit of others have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

4. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES

Renfrew Hydro Inc. (RHI) (100%), Renfrew Power Generation Inc. (RPGI) (100%) and the Renfrew Innovation Centre (100%) are government business enterprises or partnerships in which the Town owns the percentage interest as noted and accounted for on a modified equity basis in these financial statements.

The principal business of RHI is to distribute electric power to the Town of Renfrew and manage the electric distribution system. RPGI's principal business is the generation of electric power for the benefit of the Town of Renfrew's residents. The Renfrew Innovation Centre's principal business is commercial rental.

The following tables provide condensed supplementary financial information setting out the Town's share for the three entities for the year ended 31 December 2017 along with information for the year ended 31 December 2016.

Renfrew Hydro Inc. (100%)	<u>2017</u>	<u>2016</u>
Financial position:		
Current and other assets	\$ 3,164,045	\$ 4,128,075
Capital assets	<u>6,127,942</u>	<u>5,486,172</u>
	\$ <u>9,291,987</u>	\$ <u>9,614,247</u>
Current liabilities	\$ 1,807,663	\$ 2,280,604
Long term debt	<u>3,062,489</u>	<u>3,051,114</u>
	\$ <u>4,870,152</u>	\$ <u>5,331,718</u>
Net assets	\$ <u>4,421,835</u>	\$ <u>4,282,529</u>
Results of operations:		
Revenues	\$ 13,011,344	\$ 13,903,163
Operating expenses	<u>12,872,038</u>	<u>13,943,101</u>
Net income (loss)	\$ <u>139,306</u>	\$ <u>(39,938)</u>
Dividends declared and paid	\$ <u>-</u>	\$ <u>-</u>
Renfrew Power Generation Inc. (100%)	<u>2017</u>	<u>2016</u>
Financial position:		
Current and other assets	\$ 2,561,441	\$ 1,103,379
Capital assets	<u>26,219,610</u>	<u>26,585,950</u>
	\$ <u>28,781,051</u>	\$ <u>27,689,329</u>
Current liabilities	\$ 1,901,474	\$ 1,356,397
Long term debt	<u>22,632,766</u>	<u>23,506,187</u>
	\$ <u>24,534,240</u>	\$ <u>24,862,584</u>
Net assets	\$ <u>4,246,811</u>	\$ <u>2,826,745</u>

Town of Renfrew

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

	<u>2017</u>	<u>2016</u>
Results of operations:		
Revenues	\$ 4,532,001	\$ 2,907,597
Operating expenses	<u>3,041,935</u>	<u>2,300,274</u>
Net income	<u>\$ 1,490,066</u>	<u>\$ 607,323</u>
Dividends declared and paid	<u>\$ (70,000)</u>	<u>\$ (70,000)</u>
Renfrew Innovation Centre (100%)	<u>2017</u>	<u>2016</u>
Financial position:		
Current and other assets	\$ 378,715	\$ 318,347
Capital assets	<u>814,036</u>	<u>995,933</u>
	<u>\$ 1,192,751</u>	<u>\$ 1,314,280</u>
Current liabilities	<u>\$ 461,710</u>	<u>\$ 536,382</u>
Net assets	<u>\$ 731,041</u>	<u>\$ 777,898</u>
Results of operations:		
Revenues	\$ 704,354	\$ 698,403
Operating expenses	<u>625,100</u>	<u>572,292</u>
Net income	<u>\$ 79,254</u>	<u>\$ 126,111</u>
Distributions declared and paid	<u>\$ (84,074)</u>	<u>\$ (60,000)</u>

5. OPERATIONS OF SCHOOL BOARDS AND COUNTY OF RENFREW

Requisitions were made by the School Boards and County of Renfrew requiring the Town to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are as follows:

	<u>School Boards</u>	<u>County</u>
Property taxes	\$ 2,456,466	\$ 2,898,549
Payments in lieu	<u> </u>	<u>135,337</u>
	<u>\$ 2,456,466</u>	<u>\$ 3,033,886</u>

6. DEFERRED REVENUE

a) Obligatory Reserve Funds:

A requirement of the public sector accounting principles of the Chartered Professional Accountants of Canada is that obligatory reserve funds be reported as deferred revenue. This requirement is in place because federal, provincial and municipal legislation restricts how these funds may be used. The balances in the obligatory reserve funds of the Town are summarized below:

- (i) The balance of deferred revenue - obligatory reserve funds on the "Consolidated Statement of Financial Position" at the end of the year is comprised of the following externally restricted reserve funds:

	<u>2017</u>	<u>2016</u>
Lot development charges	\$ 768,571	\$ 991,561
Gasoline tax rebates - Provincial	346,683	318,777
Gasoline tax rebates - Federal	<u>687,181</u>	<u>425,964</u>
	<u>\$ 1,802,435</u>	<u>\$ 1,736,302</u>

Town of Renfrew

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(ii) Transactions during the year in the deferred revenue - obligatory reserve funds are as follows:

	<u>2017</u>	<u>2016</u>
Balance at the beginning of the year	\$ 1,736,302	\$ 1,817,236
Gas tax revenues received	489,581	485,915
Development charges	77,203	123,673
Interest earned	<u>22,654</u>	<u>19,892</u>
	<u>\$ 2,325,740</u>	<u>\$ 2,446,716</u>
Used to purchase capital assets		\$ (496,700)
Used in operations	\$ (312,323)	(62,466)
Transferred to other enterprises	<u>(210,982)</u>	<u>(151,248)</u>
	<u>\$ (523,305)</u>	<u>\$ (710,414)</u>
Balance at the end of the year	<u>\$ 1,802,435</u>	<u>\$ 1,736,302</u>

(b) Other Deferred Revenue:

Other deferred revenue consists of advances from the Province of Ontario \$ 2,509,548 (2016 - \$ 75,744) and private developers \$ 430,693 (2016 - \$ 492,859) to complete infrastructure projects within the Town, as well as advances on recreation and other programs which will be completed in 2018.

7. 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, pumping ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. Some closure costs are incurred on an ongoing basis and are included in the yearly fiscal operating budget. All remaining expected closure and post closure costs have been discounted at the Average Ontario Non-residential Building Construction Price Index. There is currently \$ 240,000 set aside in reserves for either closure or post closure activities.

The reported liability is based on estimates and assumptions with respect to events extending over the useful life and estimated post closure care period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

	<u>2017</u>	<u>2016</u>
Landfill site's estimated remaining capacity in cubic metres	771,916	788,916
Landfill site's remaining useful life in years	21	22
Expected years of post closure care	25	25

The estimated total undiscounted expenses over the 25 year post closure period amount to approximately \$ 5,366,614.

Town of RenfrewNotes to the Consolidated Financial StatementsFor the year ended 31 December 2017**8. CONTINGENT LIABILITIES**

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. The Town is currently involved in various liability claims. Because the outcome of these matters cannot yet be determined, no amounts have been recorded in the accounts. The Town has agreed to guarantee a loan for Renfrew Power Generation Inc. There were advances of \$ 22,580,633 (2016 - \$ 23,453,883) on the loan.

The Corporation of the Town of Renfrew, the Corporation of the Township of Horton, the Corporation of the Township of Greater Madawaska and the Corporation of the Township of Admaston/Bromley, hereby collectively referred to as the "Municipalities" have entered into an Agreement with the Renfrew and Area Health Service Village Inc. to guarantee in a fair and equitable manner the cost (\$ 2,100,000) to fund the program to recruit doctors for the Renfrew Area.

9. BUDGET FIGURES

The operating budget approved by the Town for 2017 is reflected on the Consolidated Statement of Operations. The budget established for capital investment in tangible capital assets is on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. As well, the Town does not budget activity within reserves and reserve funds, with the exception being those transactions which affect either operations or capital investments. Budget figures have been reclassified for the purpose of these financial statements to comply with PSAB reporting requirements. The budgeted figures have not been audited.

10. TANGIBLE CAPITAL ASSETS

The Schedule of Tangible Capital Assets provides information on the tangible capital assets of the Town by major asset class and by function, as well as for accumulated amortization of the assets controlled. The reader should be aware of the following information relating to tangible capital assets:

(i) Contributed Tangible Capital Assets:

The Town records all tangible capital assets contributed by an external party at fair value on the earlier of the date received or of the transfer of risk and responsibility. Typical examples are roadways, water and sewer lines installed by a developer as part of a subdivision agreement. Contributed tangible capital assets amounted to \$ Nil in 2017 (\$ 734,020 in 2016).

(ii) Tangible Capital Assets Recognized at Nominal Value:

Certain assets have been assigned a nominal value of one dollar, because of the difficulty of determining a tenable valuation. The most significant such assets are the Town's road allowances. The 2017 road network had segments, each of which has been assigned a value of one dollar for the road allowance itself.

11. NET LONG TERM LIABILITIES

- (a) The balance of net long term liabilities of \$ 10,903,750 (2016 - \$ 11,448,750) reported on the "Consolidated Statement of Financial Position" is made up of long term liabilities incurred by the Town and includes those incurred on behalf of municipal enterprises.

Town of Renfrew

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

	<u>2017</u>	<u>2016</u>
(b) Serial debenture loan payable, interest at 4.79%, \$ 123,750 principal plus interest payable semi-annually, maturing April 2051	\$ 8,291,250	\$ 8,538,750
Serial debenture loan payable, interest at 2.38%, \$ 100,000 principal plus interest payable semi-annually, maturing January 2027	1,900,000	2,100,000
Serial debenture loan payable, interest at 4.32%, \$ 60,000 principal plus interest payable semi-annually, matured January 2017		60,000
Serial debenture loan payable, interest at 2.89%, \$ 18,750 principal plus interest payable semi-annually, maturing April 2036.	<u>712,500</u>	<u>750,000</u>
Net long term liabilities at the end of the year	<u>\$ 10,903,750</u>	<u>\$ 11,448,750</u>

(c) Principal and interest payments required on the long term liabilities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 485,000	\$ 457,995	\$ 942,995
2019	485,000	440,296	925,296
2020	485,000	423,760	908,760
2021	485,000	404,898	889,898
2022	485,000	387,199	872,199
2023 to 2027	2,325,000	1,671,479	3,996,479
2028 onward	<u>6,153,750</u>	<u>3,387,090</u>	<u>9,540,840</u>
	<u>\$ 10,903,750</u>	<u>\$ 7,172,717</u>	<u>\$ 18,076,467</u>

12. CHARGES FOR NET LONG TERM LIABILITIES

(a) Total charges for the year for net long term liabilities are as follows:

	<u>2017</u>	<u>2016</u>
Principal	\$ 545,000	\$ 567,500
Interest	<u>483,644</u>	<u>493,698</u>
	<u>\$ 1,028,644</u>	<u>\$ 1,061,198</u>

These payments are within the annual debt repayment limit as prescribed by the Ministry of Municipal Affairs and Housing under Ontario Regulation 403/02.

(b) The interest charges shown in (a) above are reported on the Consolidated Statement of Operations under the appropriate functional expenditure heading.

13. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2017</u>	<u>2016</u>
Tangible capital assets - net	\$ 97,633,598	\$ 98,808,950
Net long term liabilities	(10,903,750)	(11,448,750)
Amounts to be funded in future years	<u>(2,975,184)</u>	<u>(1,864,486)</u>
Equity in tangible capital assets	<u>\$ 83,754,664</u>	<u>\$ 85,495,714</u>

Town of RenfrewNotes to the Consolidated Financial StatementsFor the year ended 31 December 2017

14. PENSION CONTRIBUTIONS

The Municipality makes contributions to the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. During the year ended 31 December 2017, the Municipality contributed \$ 406,756 (2016 - \$ 398,506) to the plan and is included as an expense in the consolidated statement of operations. The Town does not recognize in its consolidated financial statements any share of the pension plan deficit as this is a joint responsibility of all Ontario municipalities and their employees. The pension plan surplus for 2017 is \$ 605,000,000 (deficit for 2016 - \$ 2,341,000,000) based on the fair market value of the Plan's assets.

15. CONTRACTUAL OBLIGATIONS

In December 2017, the Town entered into a new three year agreement with the Ministry of Community Safety and Correctional Services for the years 2018 to 2020 for police services. The cost of this contract for 2017 was \$ 1,894,740 (2016 - \$ 1,868,856).

In 2017, the Town entered into a five year contract for the curbside pickup collection and disposal of recyclable materials. The contract is for a period from 1 June 2017 to 31 May 2022. Annual charges are determined by reference to the number of households in the Town. The cost of this contract for 2017 was \$ 154,678 (2016 - \$ 191,961).

In 2017, the Town entered into a five year contract for the collection of curbside garbage. The contract is for a period from 1 April 2017 to 31 March 2022. Annual charges are determined by reference to the number of households in the Town. The cost of this contract for 2017 was \$ 151,053 (2016 - \$ 160,384).

In 2015, the Town entered into a ten and a half year contract with Ontario Clean Water Agency for water treatment and wastewater treatment services. The contract price is based on annual operating costs plus a fixed management fee, indexed annually by the change in the Consumer Price Index. The cost of this contract for 2017 was \$ 1,387,364 (2016 - \$ 1,387,719).

In 2013, the Town entered into a five year contract with Beauman Waste Management Systems Limited for the operation of the Renfrew Landfill Site. The fixed price contract is for a period from 2014 to 2018. The cost of this contract for 2017 was \$ 214,983 (2016 - \$ 210,105).

16. NON ACCRUAL OF INTEREST ON LONG TERM LIABILITIES

No provision has been made in these financial statements for the accrual of interest on the net long term liabilities. Had the provision been made, the reserve balance at 31 December 2017 would have decreased by \$ 119,705 (2016 - \$ 126,313).

17. SEGMENTED INFORMATION

- (a) The Town is responsible for providing a wide range of services to its citizens. The Town reports on functional areas and programs in its consolidated financial statements. A brief description of each segment follows:

Town of Renfrew

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

- i) General government is comprised of Council and administration and is responsible for the overall governance and management of the Municipality.
- ii) Protection is comprised of police, fire, and other protective services.
- iii) Transportation is comprised of roads including parking, signs and signals, streetlights and the maintenance of roads of the Town.
- iv) Environmental services include water supply and distribution, wastewater treatment, and solid waste and recycling services.
- v) Recreation and cultural services include parks and recreation and library.
- vi) Planning and development services are comprised of managing development for residential and business interests, as well as infrastructure and parks.
- (b) For each functional area, expenditures represent both amounts that are directly attributable to the functional area and amounts that are allocated on a reasonable basis. The expenditures for 31 December 2017 are as follows:

	Salaries and benefits	Interest on long term debt	Materials and contracted services	Rent and external transfers	Amortization	Total
General government	\$ 966,118	\$ 27,504	\$ 554,206	\$ 66,604	\$ 75,777	\$ 1,690,209
Protection services	1,688,028		2,183,535		70,171	3,941,734
Transportation services	845,431		1,251,041	201,627	2,922,097	5,220,196
Environmental services	694,718	456,140	2,859,428	59,165	1,482,563	5,552,014
Recreation services	1,545,531		606,578	41,353	226,513	2,419,975
Planning and development	<u>147,278</u>		<u>189,376</u>	<u>10,680</u>		<u>347,334</u>
	<u>\$ 5,887,104</u>	<u>\$ 483,644</u>	<u>\$ 7,644,164</u>	<u>\$ 379,429</u>	<u>\$ 4,777,121</u>	<u>\$ 19,171,462</u>

- (c) The expenditures for 31 December 2016 are as follows:

	Salaries and benefits	Interest on long term debt	Materials and contracted services	Rent and external transfers	Amortization	Total
General government	\$ 898,619	\$ 14,447	\$ 766,135	\$ 53,888	\$ 38,380	\$ 1,771,469
Protection services	1,704,531		2,151,685		72,874	3,929,090
Transportation services	807,274		1,563,319	168,835	2,940,134	5,479,562
Environmental services	702,833	479,251	3,228,135	36,206	1,450,547	5,896,972
Recreation services	1,357,037		633,991	42,353	194,369	2,227,750
Planning and development	<u>148,651</u>		<u>115,040</u>	<u>10,000</u>		<u>273,691</u>
	<u>\$ 5,618,945</u>	<u>\$ 493,698</u>	<u>\$ 8,458,305</u>	<u>\$ 311,282</u>	<u>\$ 4,696,304</u>	<u>\$ 19,578,534</u>

Town of Renfrew
Schedule of General Operations
For the year ended 31 December 2017
(with 2017 budget and 2016 actual figures for comparison)

	<u>2017</u> <u>Budget</u>	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
Revenue:			
Net municipal taxation	\$ 8,023,190	\$ 8,035,340	\$ 7,765,346
Government transfers:			
Ontario	3,986,280	2,333,257	4,866,993
Canada	912,930	314,531	1,219,389
Other municipalities	164,870	184,805	177,939
Other	1,989,530	2,140,302	2,070,900
Loss on disposal of tangible capital assets	<u> </u>	<u>(263,097)</u>	<u>(1,455,753)</u>
	<u>\$ 15,076,800</u>	<u>\$ 12,745,138</u>	<u>\$ 14,644,814</u>
Expenses:			
General government	\$ 1,700,107	\$ 1,690,209	\$ 1,771,469
Protection to persons and property	3,963,016	3,957,541	3,916,281
Transportation services	5,504,243	5,246,183	5,488,397
Environmental services	848,645	778,716	783,886
Recreation and cultural services	1,793,328	1,821,891	1,707,920
Planning and development	<u>326,180</u>	<u>285,594</u>	<u>217,050</u>
	<u>\$ 14,135,519</u>	<u>\$ 13,780,134</u>	<u>\$ 13,885,003</u>
Excess (shortfall) of revenue over expenses	<u>\$ 941,281</u>	<u>\$ (1,034,996)</u>	<u>\$ 759,811</u>
Transfers:			
Transfer to Library	\$ (438,035)	\$ (453,202)	\$ (475,747)
Transfer from (to) reserves	940,037	(913,261)	(721,846)
Transfer from (to) equity in tangible capital assets	<u>(1,443,283)</u>	<u>2,401,459</u>	<u>437,782</u>
Net transfers	<u>\$ (941,281)</u>	<u>\$ 1,034,996</u>	<u>\$ (759,811)</u>
Excess (shortfall) of revenue over expenses	\$ -	\$ -	\$ -
General surplus (deficit) at the beginning of the year	<u>(718,920)</u>	<u>(718,920)</u>	<u>(718,920)</u>
General surplus (deficit) at the end of the year	<u>\$ (718,920)</u>	<u>\$ (718,920)</u>	<u>\$ (718,920)</u>

(See accompanying notes)

Town of Renfrew

Consolidated Schedule of Reserves and Reserve Funds

For the year ended 31 December 2017
(with 2016 figures for comparison)

	<u>2017</u>	<u>2016</u>
Contributions:		
From general operations	\$ 1,696,894	\$ 1,765,524
From wastewater operations	79,408	13,951
From waterworks operations	<u>379,001</u>	<u>155,541</u>
	<u>\$ 2,155,303</u>	<u>\$ 1,935,016</u>
Transfers:		
To general operations	\$ (288,750)	\$ (1,292,734)
To tangible capital asset acquisitions	<u>(494,897)</u>	<u>(66,865)</u>
	<u>\$ (783,647)</u>	<u>\$ (1,359,599)</u>
Change in reserves and reserve funds balance	\$ 1,371,656	\$ 575,417
Reserves and reserve funds at the beginning of the year	<u>6,516,091</u>	<u>5,940,674</u>
Reserves and reserve funds at the end of the year	<u>\$ 7,887,747</u>	<u>\$ 6,516,091</u>
Reserves:		
Working funds	\$ 200,000	\$ 200,000
Contingencies	2,395,489	1,593,402
Asset acquisitions - general operations	2,940,494	2,829,335
- waterworks system	1,610,924	1,231,922
- wastewater system	<u>740,840</u>	<u>661,432</u>
Total reserves	<u>\$ 7,887,747</u>	<u>\$ 6,516,091</u>

(See accompanying notes)

Town of Renfrew
Consolidated Schedule of Tangible Capital Assets

As at 31 December 2017
(with 2016 figures for comparison)

Segmented by asset class: <u>Cost</u>	Balance at 31 December <u>2016</u>	<u>Additions</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2017</u>
Land	\$ 245,330			\$ 245,330
Land improvements	2,280,343			2,280,343
Equipment	1,734,123	\$ 109,090		1,843,213
Rolling stock (vehicles)	3,589,701	404,323		3,994,024
Facilities	54,184,690	193,172		54,377,862
Infrastructure	105,217,999	584,318	\$ (115,931)	105,686,386
Capital work in progress	<u>587,848</u>	<u>2,584,229</u>	<u>(551,369)</u>	<u>2,620,708</u>
Total	\$ <u>167,840,034</u>	\$ <u>3,875,132</u>	\$ <u>(667,300)</u>	\$ <u>171,047,866</u>

<u>Accumulated amortization</u>	Balance at 31 December <u>2016</u>	<u>Amortization</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2017</u>
Land improvements	\$ 1,827,182	\$ 45,593		\$ 1,872,775
Equipment	1,073,314	87,737		1,161,051
Rolling stock (vehicles)	1,526,817	178,484		1,705,301
Facilities	17,932,598	1,428,754		19,361,352
Infrastructure	<u>46,671,173</u>	<u>3,036,553</u>	<u>\$ (393,937)</u>	<u>49,313,789</u>
Total	\$ <u>69,031,084</u>	\$ <u>4,777,121</u>	\$ <u>(393,937)</u>	\$ <u>73,414,268</u>

<u>Net book value</u>	Balance at 31 December <u>2016</u>	Balance at 31 December <u>2017</u>
Land	\$ 245,330	\$ 245,330
Land improvements	453,161	407,568
Equipment	660,809	682,162
Rolling stock (vehicles)	2,062,884	2,288,723
Facilities	36,252,092	35,016,510
Infrastructure	58,546,826	56,372,597
Capital work in progress	<u>587,848</u>	<u>2,620,708</u>
Total	\$ <u>98,808,950</u>	\$ <u>97,633,598</u>

(See accompanying notes)

Town of Renfrew

Consolidated Schedule of Tangible Capital Assets

As at 31 December 2017
(with 2016 figures for comparison)

Segmented by function: <u>Cost</u>	Balance at 31 December <u>2016</u>	<u>Additions</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2017</u>
General government	\$ 3,917,122			\$ 3,917,122
Protection services	1,891,843	\$ 44,295		1,936,138
Recreation and culture	9,928,873	63,045		9,991,918
Tourism		193,172		193,172
Development and works	<u>152,102,196</u>	<u>3,574,620</u>	\$ <u>(667,300)</u>	<u>155,009,516</u>
Total	\$ <u>167,840,034</u>	\$ <u>3,875,132</u>	\$ <u>(667,300)</u>	\$ <u>171,047,866</u>

<u>Accumulated amortization</u>	Balance at 31 December <u>2016</u>	<u>Amortization</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2017</u>
General government	\$ 1,911,423	\$ 75,777		\$ 1,987,200
Protection services	725,963	70,171		796,134
Recreation and culture	7,414,689	226,513		7,641,202
Development and works	<u>58,979,009</u>	<u>4,404,660</u>	\$ <u>(393,937)</u>	<u>62,989,732</u>
Total	\$ <u>69,031,084</u>	\$ <u>4,777,121</u>	\$ <u>(393,937)</u>	\$ <u>73,414,268</u>

<u>Net book value</u>	Balance at 31 December <u>2016</u>	Balance at 31 December <u>2017</u>
General government	\$ 2,005,699	\$ 1,929,922
Protection services	1,165,880	1,140,004
Recreation and culture	2,514,184	2,350,716
Tourism		193,172
Development and works	<u>93,123,187</u>	<u>92,019,784</u>
Total	\$ <u>98,808,950</u>	\$ <u>97,633,598</u>

(See accompanying notes)