

Financial Statements of

**THE CORPORATION OF THE
CITY OF SAULT STE. MARIE**
Trust Funds

Year ended December 31, 2018



KPMG LLP
111 Elgin Street, Suite 200
Sault Ste. Marie ON P6A 6L6
Canada
Telephone (705) 949-5811
Fax (705) 949-0911

INDEPENDANT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of The City of Sault Ste. Marie

Opinion

We have audited the financial statements of the trust funds of The Corporation of The City of Sault Ste. Marie (the "Trust"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of continuity for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2018 and the continuity of trust funds for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the 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 opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- 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 Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada

June 17, 2019

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Trust Funds

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018								2017	
	Care and Maintenance	Pre-need Assurance	Ontario Home Renewal Plan	Historic Sites	Heritage SSM	Transit Employees Pension	Cultural Endowment	Total	Total	
Assets										
Cash and investments (note 3)	\$ 5,777,428	\$ 2,355,616	\$ 10,379	\$ 57,320	\$ 28,901	\$ 77,961	\$ 13,624	\$ 8,321,229	\$ 8,016,442	
Loans receivable (note 2)	-	-	16,446	-	-	-	-	16,446	17,130	
Receivable from other funds	-	-	-	24,941	-	-	-	24,941	-	
	\$ 5,777,428	\$ 2,355,616	\$ 26,825	\$ 82,261	\$ 28,901	\$ 77,961	\$ 13,624	\$ 8,362,616	\$ 8,033,572	
Liabilities and Fund Balance										
Payable to other funds	\$ 74,199	\$ 59,958	\$ 23,260	\$ -	\$ -	\$ 7	\$ 10	\$ 157,434	\$ 99,158	
Fund balance	5,703,229	2,295,658	3,565	82,261	28,901	77,954	13,614	8,205,182	7,934,414	
	\$ 5,777,428	\$ 2,355,616	\$ 26,825	\$ 82,261	\$ 28,901	\$ 77,961	\$ 13,624	\$ 8,362,616	\$ 8,033,572	

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

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Trust Funds

Statement of Continuity

Year ended December 31, 2018, with comparative information for 2017

								2018	2017
	Care and Maintenance	Pre-need Assurance	Ontario Home Renewal Plan	Historic Sites	Heritage SSM	Transit Employees Pension	Cultural Endowment	Total	Total
Fund balance, beginning of the year	\$ 5,530,632	\$ 2,222,474	\$ 8,031	\$ 55,376	\$ 28,094	\$ 76,427	\$ 13,380	\$ 7,934,414	\$ 7,745,700
Revenue:									
Capital receipts	172,597	256,400	-	1,000	-	-	-	429,997	289,741
Contributions from revenue fund	-	-	-	24,942	-	-	-	24,942	24,294
Interest earned	169,359	41,522	326	943	807	1,527	234	214,718	108,937
	341,956	297,922	326	26,885	807	1,527	234	669,657	422,972
Expenditures:									
Contributions to revenue fund	169,359	224,738	326	-	-	-	-	394,423	233,375
Transfer to Province of Ontario	-	-	4,431	-	-	-	-	4,431	650
Administration charges	-	-	35	-	-	-	-	35	233
	169,359	224,738	4,792	-	-	-	-	398,889	234,258
Fund balance, end of year	\$ 5,703,229	\$ 2,295,658	\$ 3,565	\$ 82,261	\$ 28,901	\$ 77,954	\$ 13,614	\$ 8,205,182	\$ 7,934,414

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

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Trust Funds

Notes to Financial Statements

Year ended December 31, 2018

The Corporation of the City of Sault Ste. Marie Trust Funds (the "Trust") consist of various trust funds administered by the Corporation of the City of Sault Ste. Marie. The Funds are not subject to income taxes under Section 149(1) of the Income Tax Act (Canada).

1. Summary of significant accounting policies:

These financial statements are prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the Chartered Professional Accountants of Canada Handbook.

(a) Basis of accounting:

The financial statements are prepared by management and are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Trust has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator or impairment, the Trust determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial assets is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Trust expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) Use of estimates

The preparation of the financial statements 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 date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and assets and obligations related to employee future benefits. Actual results could differ from those estimates.

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Trust Funds

Notes to Financial Statements

Year ended December 31, 2018

2. Ontario home renewal program:

The Ontario Home Renewal Program (“OHRP”) was established by the Ontario Ministry of Housing in 1973 to provide grants for municipalities to make loans to assist owner occupants to repair, rehabilitate and improve their homes to local property standards. Individual loans were limited to \$7,500, of which the maximum deferred portion was \$4,000.

Ontario Home Renewal Program loans receivable at December 31, 2018 comprise repayable loans of \$8,827 (2017 - \$8,827) and deferred loans of \$7,619 (2017 - \$8,303). Loan forgiveness is earned and recorded at a rate of up to \$600 per year of continuous ownership and occupancy. The deferred portion of the loan is deferred for a five year period. In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balance of the loans immediately become due and payable by the homeowner.

The Province of Ontario legislated an end to the OHRP program in 1993. As of July 16, 1993, no new loans were issued. All funds collected on outstanding OHRP loans are remitted to the Province by March 1 of the following year. However, municipalities are provided an administration fee of five per cent of the balances collected after December 31, 1993 and are permitted to retain the interest earned on unremitted OHRP trust account balances.

3. Cash and investments:

Total investments by the trust funds of \$3,966,968 (2017 - \$3,829,242) included in cash and investments on the statement of financial position at cost, have a market value of \$4,064,069 (2017 - \$3,982,959).