

R.M. OF REYNOLDS

**Consolidated Financial Statements
For the Year Ended December 31, 2018**

STATEMENT OF RESPONSIBILITY

The accompanying Consolidated Financial Statements are the responsibility of the management of the *Rural Municipality of Reynolds* and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Chartered Professional Accountants Canada.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

Council of the Municipality met 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.

KPMG LLP as the Municipality's appointed external auditors, have audited the Consolidated Financial Statements. The Auditor's report is addressed to the Mayor/Reeve and members of Council and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the Consolidated Financial Statements are free of material misstatement and present fairly the financial position and results of the Municipality in accordance with Canadian public sector accounting standards.

Kim Furgala

Chief Administrative Officer



KPMG LLP
1900 - 360 Main Street
Winnipeg MB
R3C 3Z3

Telephone (204) 957-1770
Fax (204) 957-0808
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Reeve and Members of Council of the Rural Municipality of Reynolds

Opinion

We have audited the consolidated financial statements of the Rural Municipality of Reynolds (the "Entity"), which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statements of operations, remeasurement gains and losses, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Rural Municipality of Reynolds as at December 31, 2018, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

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

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

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

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for audit opinion.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

October 26, 2021

R.M. OF REYNOLDS
Consolidated Financial Statements
For the Year Ended December 31, 2018

Consolidated Statement of Financial Position	5
Consolidated Statement of Operations	6
Consolidated Statement of Change in Net Financial Assets	7
Consolidated Statement of Cash Flows	8
Notes to the Consolidated Financial Statements	9
Schedule 1 - Consolidated Schedule of Tangible Capital Assets	15
Schedule 2 - Consolidated Schedule of Revenues	16
Schedule 3 - Consolidated Schedule of Expenses	17
Schedule 4 - Consolidated Statement of Operations by Program	19
Schedule 5 - Consolidated Details and Reconciliation to Core Government Results	21
Schedule 6 - Schedule of Change in Reserve Fund Balances	22
Schedule 7 - Reconciliation of the Financial Plan to the Budget	23
Schedule 8 - Analysis of Taxes on Roll	24
Schedule 9 - Analysis of Tax Levy	25
Schedule 10 - Analysis of School Accounts	26
Schedule 11 - Schedule of General Operating Fund Expenses	27
Schedule 12 - Reconciliation of Annual Deficit	28

R.M. OF REYNOLDS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2018

	<u>2018</u>	<u>2017</u>
FINANCIAL ASSETS		
Cash and temporary investments (Note 3)	\$ 3,246,136	\$ 3,472,292
Portfolio Investments	2,897	11,012
Amounts receivable (Note 4)	422,778	320,008
	<u>\$ 3,671,811</u>	<u>\$ 3,803,312</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	\$ 544,027	\$ 155,187
Deferred revenue (Note 7)	652,304	589,839
Landfill closure and post closure liabilities (Note 8)	1,430	723
	<u>1,197,761</u>	<u>745,749</u>
NET FINANCIAL ASSETS	<u>\$ 2,474,050</u>	<u>\$ 3,057,563</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	\$ 1,414,155	\$ 1,152,491
Inventories (Note 5)	70,285	-
Prepaid expenses	5,125	6,225
	<u>1,489,565</u>	<u>1,158,716</u>
ACCUMULATED SURPLUS (Note 12)	<u>\$ 3,963,615</u>	<u>\$ 4,216,279</u>

Approved on behalf of Council:

Mayor

Councillor

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

R.M. OF REYNOLDS
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2018

	<u>2018 Budget (Note 11)</u>	<u>2018 Actual</u>	<u>2017 Actual</u>
REVENUE			
Property taxes	\$ 432,067	\$ 666,587	\$ 657,695
Grants in lieu of taxation	251,514	59,714	57,761
User fees	132,005	95,735	94,596
Investment income	30,000	59,732	55,137
Other revenue	-	3,290	29,522
Grants - Province of Manitoba	595,703	295,660	294,738
Grants - other	138,941	223,340	137,421
Transfer in from own funds	-	-	-
Total revenue (Schedules 2, 4 and 5)	<u>1,580,230</u>	<u>1,404,058</u>	<u>1,326,870</u>
EXPENSES			
General government services	623,203	545,234	485,539
Protective services	264,515	247,778	234,073
Transportation services	646,628	548,059	530,230
Environmental health services	220,968	206,196	201,731
Public health and welfare services	45,497	25,577	15,497
Regional planning and development	44,135	70,492	47,697
Resource conservation and industrial	58,550	13,386	16,983
Recreation and cultural services	-	-	-
Total expenses (Schedules 3, 4 and 5)	<u>1,903,496</u>	<u>1,656,722</u>	<u>1,531,750</u>
ANNUAL SURPLUS (DEFICIT)	<u>(323,266)</u>	<u>(252,664)</u>	<u>(204,880)</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR		<u>4,216,279</u>	<u>4,421,159</u>
ACCUMULATED SURPLUS, END OF YEAR		<u>\$ 3,963,615</u>	<u>\$ 4,216,279</u>

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

R.M. OF REYNOLDS
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended December 31, 2018

	<u>2018 Budget (Note 11)</u>	<u>2018 Actual</u>	<u>2017 Actual</u>
ANNUAL SURPLUS (DEFICIT)	\$ (323,266)	\$ (252,664)	\$ (204,880)
Acquisition of tangible capital assets	-	(352,541)	(73,492)
Amortization of tangible capital assets	90,877	90,877	94,310
Writedown of tangible capital assets			
Decrease (increase) in inventories	-	(70,285)	-
Decrease (increase) in prepaid expense	-	1,100	(1,230)
	<u>90,877</u>	<u>(330,849)</u>	<u>19,588</u>
CHANGE IN NET FINANCIAL ASSETS	<u>(232,389)</u>	(583,513)	(185,292)
NET FINANCIAL ASSETS, BEGINNING OF YEAR		<u>3,057,563</u>	<u>3,242,855</u>
NET FINANCIAL ASSETS, END OF YEAR		<u>\$ 2,474,050</u>	<u>\$ 3,057,563</u>

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

R.M. OF REYNOLDS
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

	<u>2018</u>	<u>2017</u>
OPERATING TRANSACTIONS		
Annual surplus (deficit)	\$ (252,664)	\$ (204,880)
Changes in non-cash items:		
Amounts receivable	(102,770)	(19,716)
Inventories	(70,285)	-
Prepays	1,100	(1,230)
Accounts payable and accrued liabilities	388,840	(30,815)
Deferred revenue	62,465	74,992
Landfill closure and post closure liabilities	707	81
Writedown of tangible capital assets	-	-
Amortization	90,877	94,310
Cash provided by operating transactions	<u>118,270</u>	<u>(87,258)</u>
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	<u>(352,541)</u>	<u>(73,492)</u>
INVESTING TRANSACTIONS		
Cash provided by investing transactions	<u>8,115</u>	<u>1,562,820</u>
FINANCING TRANSACTIONS		
Cash applied to financing transactions	<u>-</u>	<u>-</u>
INCREASE IN CASH AND TEMPORARY INVESTMENTS	(226,156)	1,402,070
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	<u>3,472,292</u>	<u>2,070,222</u>
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	<u>\$ 3,246,136</u>	<u>\$ 3,472,292</u>

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

R.M. OF REYNOLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

1. Status of Rural Municipality of Reynolds

The incorporated Rural Municipality of Reynolds is a municipal government that was created as a local government district in January 1945 pursuant to the Manitoba Municipal Act. The Municipality provides or funds municipal services such as police, fire, public works, urban planning, airport, parks and recreation, library and other general government operations. The Municipality has several designated special purpose reserves and provides funding support for other financial entities involved in environmental health and regional planning and development.

2. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with public sector accounting standards as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada and reflect the following significant accounting policies:

a) Reporting Entity

The consolidated financial statements include the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all the funds, agencies, local boards, and committees of the Council which are controlled by the Municipality. Control is defined as the power to govern the financial and reporting policies of another organization with the expected benefits or risk of loss to the Municipality. The controlled organizations are consolidated after adjusting their accounting policies to a basis consistent with the accounting policies of the Municipality. Inter-fund and inter-company balances and transactions have been eliminated. The controlled organizations include:

Whitemouth-Reynolds Planning District	55%
Whitemouth-Reynolds-North Whiteshell Waste Management Facility	27.62%

The taxation with respect to the operations of the school divisions are not reflected in the Municipal surplus of these financial statements.

b) Basis of Accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon the receipt of goods and services or the creation of an obligation to pay.

c) Cash and Temporary Investments

Cash and temporary investments include cash and short-term investments with maturities of three months or less from the date of acquisition.

d) Inventories

Inventories held for sale are recorded at the lower of cost and net realizable value.

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

e) Landfill Closure and Post Closure Liabilities

The estimated cost to close and maintain solid waste landfill sites are based on estimated future expenses, in current dollars, adjusted for estimated inflation, and are charged to expenses as the landfill capacity is used.

f) 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.

Real estate properties and inventories held for sale are classified as non-financial assets if it is anticipated that the sale will not be completed within one year of the reporting date.

g) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Donated assets are recorded at their estimated fair value upon acquisition.

2. Significant Accounting Policies (continued)

Certain tangible capital assets for which historical cost information is not available have been recorded at current fair market values discounted by a relevant inflation factor. Certain assets are disclosed at a nominal value as the determination of current fair market value was not available. The Municipality does not capitalize internal finance charges as part of the cost of its tangible capital assets.

The cost, less residual value, of tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

General Tangible Capital Assets

Land	Indefinite
Land Improvements	10 to 30 years
Buildings and leasehold improvements	
Buildings	25 to 40 years
Leasehold improvements	Life of lease
Vehicles and Equipment	
Vehicles	5 years
Machinery, equipment and furniture	10 years
Maintenance and road construction equipment	15 years
Computer Hardware and Software	4 years

Infrastructure Assets

Transportation	
Land	Indefinite
Road surface	20 to 30 years
Road grade	40 years
Bridges	25 to 50 years
Traffic lights and equipment	10 years
Water and Sewer	
Land	Indefinite
Land improvements	30 to 50 years
Buildings	25 to 40 years
Underground networks	40 to 60 years
Machinery and equipment	10 to 20 years
Dams and other surface water structures	40 to 60 years

Assets under construction includes direct costs and is stated at the lower of cost and net recoverable amount. Costs associated with the construction of these assets are capitalized until the asset is placed in use. No amortization is taken on assets under construction until that date.

Certain assets which have historical or cultural value including works of art, historical documents as well as historical and cultural artifacts are not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made. Intangibles, Crown lands that have not been purchased by the municipality, forests, water, and other natural resources are not recognized as tangible capital assets.

h) Revenue Recognition

Revenues are recognized as they are earned and measurable.

Government transfers are recognized in the financial statements when the transfer is authorized and eligibility criteria are met except, when and to the extent, stipulations by the transferor gives rise to an obligation that meets the definition of a liability. Stipulations by the transferor may require that the funds only be used for providing specific services or the acquisition of tangible capital assets. For transfers with stipulations an equivalent amount of revenue is recognized as the liability is settled.

Deferred revenue represents user charges and other fees which have been collected, for which the related services have yet to be provided. These amounts will be recognized as revenue in the fiscal year the services are provided.

i) Measurement Uncertainty

Estimates are used to accrue revenues and expenses in circumstances where the actual accrued revenues are unknown at the time the financial statements are prepared. Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonable possible amount, as there is whenever estimates are used.

Measurement uncertainty in these financial statements exists in the accrual of the landfill closure and post closure liabilities. The accrual of the landfill liabilities is based on estimated future cash flows discounted to the financial statement date. The estimate of the future cash flows and the closure date of the landfill are based upon the best estimates by management. The actual future cash flows and closure date may differ significantly.

3. Cash and Temporary Investments

Cash and temporary investments are comprised of the following:

	<u>2018</u>	<u>2017</u>
Cash	<u>\$ 3,246,136</u>	<u>\$ 3,472,292</u>

The Municipality has designated \$1,156,582 (2017 - \$1,146,307) to reserves for debt principal repayments and tangible capital asset acquisitions. See Schedule 6 - Schedule of Change in Reserve Fund Balances.

4. Amounts Receivable

Amounts receivable are valued at their net realizable value.

	<u>2018</u>	<u>2017</u>
Taxes on roll (Schedule 8)	\$ 230,437	\$ 154,115
Government grants	149,080	71,499
Organizations and individuals	<u>43,261</u>	<u>94,394</u>
	422,778	320,008
Less allowances for doubtful amounts	-	-
	<u>\$ 422,778</u>	<u>\$ 320,008</u>

5. Inventories

Inventories for use:

	<u>2018</u>	<u>2017</u>
Aggregate	<u>\$ 70,285</u>	<u>\$ -</u>
	<u>\$ 70,285</u>	<u>\$ -</u>

6. Accounts Payable and Accrued Liabilities

	<u>2018</u>	<u>2017</u>
Accounts payable	\$ 355,895	\$ 66,047
Accrued expenses	-	(13,152)
School levies (Schedule 10)	<u>188,132</u>	<u>102,292</u>
	<u>\$ 544,027</u>	<u>\$ 155,187</u>

7. Deferred Revenue

Deferred revenue is comprised of the following:

	<u>2018</u>	<u>2017</u>
Gas Tax contribution	<u>\$ 652,304</u>	<u>\$ 589,839</u>
	<u>\$ 652,304</u>	<u>\$ 589,839</u>

Transactions related to Gas Tax contributions occurring during the year are as follows:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 589,839	\$ 514,847
Funding received during the year	72,703	70,241
Interest earned	8,459	4,751
Recognized as revenue during the year	<u>(18,697)</u>	<u>-</u>
Balance, end of year	<u>\$ 652,304</u>	<u>\$ 589,839</u>

8. Landfill Closure and Post Closure Liabilities

Operating Landfill Site

The Municipality is currently operating a Class 2 landfill site. Legislation requires closure and post-closure care of solid waste landfill sites. Closure costs include final covering and landscaping of the landfill and implementation of drainage and gas management plans. Post closure care requirements include cap maintenance, groundwater monitoring, gas management system operations, inspections and annual reports.

	<u>2018</u>	<u>2017</u>
Estimated closure and post closure costs over the next 50 years	<u>\$ 54,350</u>	<u>\$ 54,350</u>
Discount rate	<u>5.00%</u>	<u>7.00%</u>
Discounted costs	<u>\$ 12,575</u>	<u>\$ 6,673</u>
Expected year capacity will be reached	2048	2048
Capacity (disclose in tonnes, volume, acreage, or years):		
Used to date	21	20
Remaining	<u>30</u>	<u>31</u>
Total	<u>51</u>	<u>51</u>
Percent utilized	<u>41.18%</u>	<u>39.22%</u>
Liability based on percentage	<u>\$ 5,178</u>	<u>\$ 2,617</u>
R.M. of Reynolds percentage of operations	27.62%	27.62%
R.M. of Reynolds Liability based on percentage of partnership	<u>\$ 1,430</u>	<u>\$ 723</u>

9. Retirement Benefits

The majority of the employees of the Municipality are members of the Municipal Employees' Pension Plan (MEPP), which is a multi-employer defined benefit pension plan. MEPP members will receive benefits based on 1.5% of their final average yearly Canada Pension Plan (CPP) earnings times years of service, plus 2% of their final average yearly non-CPP earnings times years of service. The costs of the retirement plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Chartered Professional Accountants of Canada Handbook section PS3250.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by MEPP by placing plan assets in trust and through MEPP investment policy. The pension expense is based on the contribution rate. The MEPP required that employees contribute 8.3% of basic annual earnings up to the CPP ceiling plus 9.5% of basic annual earnings in excess of the CPP ceiling, plus an additional 0.1% of earnings below and in excess of the CPP ceiling from employees that are not members of the Municipal Disability Income Plan. The employers are required to match the employee contributions to the MEPP. Actual contributions to MEPP made during the year by the Municipality on behalf of its employees amounted to \$6,839 (2017 - \$5,349) and are included in the statement of operations.

Subject to the following paragraph, any unfunded liabilities are to be funded by the participating employers. The most recent actuarial valuation as of December 31, 2017 indicated the plan was 100.8% funded on a going concern basis and had an unfunded solvency liability of \$246.8 million. The solvency position of the plan is determined by comparing the plan assets to the actuarial present value of the benefits accrued in respect of credited service up to the valuation date, calculated as if the plan were wound up on December 31, 2017.

In 2010, the Government of Manitoba enacted a regulation which permits sponsors of public sector pension plans, including MEPP, to elect permanent exemption from solvency funding requirements subject to certain conditions stated in the regulation. MEPP has elected permanent exemption from solvency funding requirements. As a result, solvency funding is no longer required by MEPP.

10. Financial Instruments

The Municipality as part of its operations carries a number of financial instruments. It is management's opinion the Municipality is not exposed to significant interest, currency or credit risk arising from these financial instruments, except as otherwise disclosed. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

a) Credit risk

Credit risk is defined as the risk of loss to the Municipality from failure of a counterparty to discharge its contractual obligations. As at December 31, 2018, the Municipality's exposure to credit risk relates to its accounts receivable, portfolio investments and cash totaling \$3,671,811 (2017 - \$3,803,312). The Municipality limits credit risk exposure on portfolio investments by concentrating on high quality and low risk securities such as term deposits which are insured by the Deposit Guarantee Corporation of Manitoba (DGCM). The Municipality also limits its credit risk exposure on cash by holding deposits in insured institutions under DGCM.

The accounts receivable balances are managed and analyzed on an ongoing basis and, accordingly, the Municipality's exposure to doubtful accounts is not significant as majority of the balances are due from provincial or related entities which are considered to have a low credit risk.

The accounts receivable balances are managed and analyzed on an ongoing basis and, accordingly, the Municipality's exposure to doubtful accounts is not significant as majority of the balances are due from provincial or related entities which are considered to have a low credit risk.

b) Interest rate risk

Interest rate risk refers to the impact of the interest rate changes on the Municipality's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Municipality's assets and liabilities. The value of the Municipality's net assets is affected by short-term changes in nominal interest rates.

As at December 31, 2018, the Municipality is exposed to interest rate risk with respect to the portfolio investments held totaling \$2,897 (2017 - \$11,012). An increase or decrease of 1 % in interest rates, with all other variables held constant, will impact investment income by an estimated gain or loss of \$29 (2017 - \$110).

c) Liquidity risk

The Municipality's liquidity risk represents the risk that the Municipality could encounter difficulty in meeting obligations associated with its financial liabilities. The Municipality is exposed to liquidity risk with respect to all of its financial liabilities recognized in the statement of financial position which includes accounts payable and accrued liabilities.

The Municipality manages liquidity risk by maintaining sufficient amount of cash and short-term investments to ensure that it has financing sources for a sufficient authorized amount. The Municipality establishes a budget and cash estimates to ensure it has necessary funds to fulfill its obligations.

11. Budget

The financial plan is prepared on a revenue and expenditure basis. For comparative purposes, the Municipality has modified its financial plan to prepare a budget that is consistent with the scope and accounting principles used to report the actual results. The budget figures used in these financial statements have been approved by council.

The reconciliation between the financial plan and the budget figures used in these statements is disclosed in Schedule 7 - Reconciliation of the Financial Plan to the Budget.

12. Accumulated Surplus

	<u>2018</u>	<u>2017</u>
Accumulated surplus consists of the following:		
General operating fund - Nominal surplus	\$ 1,342,105	\$ 1,861,478
TCA net of related borrowings	1,316,726	1,058,090
Reserve funds	<u>1,156,582</u>	<u>1,146,307</u>
Accumulated surplus of municipality unconsolidated	3,815,413	4,065,875
Accumulated surpluses of consolidated entities	<u>148,202</u>	<u>150,404</u>
Accumulated surplus per Consolidated Statement of Financial Position	<u>\$ 3,963,615</u>	<u>\$ 4,216,279</u>

13. Public Sector Compensation Disclosure

It is a requirement of the Public Sector Compensation Disclosure Act that annual public disclosure be made of aggregate compensation paid to members of council, and of individual compensation in an amount equal to or exceeding \$50,000 annually to any member of council, officer or employee of the Municipality. For the year ended December 31, 2018:

a) Compensation paid to members of council amounted to \$88,537 in aggregate.

b) There were no members of council receiving compensation in excess of \$50,000 individually.

Council Members:

	<u>Compensation</u>	<u>Expenses</u>	<u>Total</u>
Councillor - De-Ann Holmes	\$ 9,888	\$ 3,423	\$ 13,311
Mayor/Reeve - David Turchyn	10,064	2,669	12,733
Councillor - Curtis Buley	8,855	2,661	11,516
Councillor - Mike Turchyn	6,345	2,818	9,163
Councillor - Alan Kelly	6,551	1,778	8,329
Councillor - Michael Huzel	6,975	52	7,027
Councillor - Robert Shendroski	6,895	113	7,008
Councillor - Garry Gaetz	5,495	1,289	6,784
Councillor - Blaine Webster	2,235	679	2,914
Councillor - Harriet Yarmill	2,130	738	2,868
Councillor - Jessica Thurston	2,040	522	2,562
Councillor - Kim Zalitach	2,040	253	2,293
Reeve - Trudy Turchyn	1,814	216	2,030
	<u>\$ 71,327</u>	<u>\$ 17,211</u>	<u>\$ 88,538</u>

c) The following officers received compensation in excess of \$50,000:

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Yann Boissonneault	Chief Administration Officer	73,292
Nelson Chmuhalek	Public Works Manager	55,456

14. Comparative Amounts

Certain of the comparative amounts presented have been restated to conform to the current year's consolidated financial statement presentation.

R.M. OF REYNOLDS
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
Year Ended December 31, 2018

SCHEDULE 1

	General Capital Assets				Infrastructure		Totals	
	Land and Land Improvements	Buildings and Leasehold Improvements	Vehicles and Equipment	Computer Hardware and Software	Roads, Streets, and Bridges	Assets Under Construction	2018	2017
Cost								
Opening costs	\$ 191,676	\$ 448,519	\$ 431,024	\$ 80,956	\$ 1,347,949	\$ 64,867	\$ 2,564,991	\$ 2,491,499
Additions during the year	5,189	-	34,917	8,057	43,521	260,857	352,541	73,492
Disposals and write downs	-	-	-	-	-	-	-	-
Closing costs	<u>196,865</u>	<u>448,519</u>	<u>465,941</u>	<u>89,013</u>	<u>1,391,470</u>	<u>325,724</u>	<u>2,917,532</u>	<u>2,564,991</u>
Accumulated Amortization								
Opening accum'd amortization	41,123	247,914	189,484	61,938	872,041	-	1,412,500	1,318,190
Amortization	3,184	18,462	26,952	8,980	33,299	-	90,877	94,310
Disposals and write downs	-	-	-	-	-	-	-	-
Closing accum'd amortization	<u>44,307</u>	<u>266,376</u>	<u>216,436</u>	<u>70,918</u>	<u>905,340</u>	<u>-</u>	<u>1,503,377</u>	<u>1,412,500</u>
Net Book Value of Tangible Capital Assets	<u>\$ 152,558</u>	<u>\$ 182,143</u>	<u>\$ 249,505</u>	<u>\$ 18,095</u>	<u>\$ 486,130</u>	<u>\$ 325,724</u>	<u>\$ 1,414,155</u>	<u>\$ 1,152,491</u>

R.M. OF REYNOLDS
CONSOLIDATED SCHEDULE OF REVENUES
For the Year Ended December 31, 2018

SCHEDULE 2

	2018	2017
	Actual	Actual
Property taxes:		
Municipal taxes levied (Schedule 9)	\$ 626,291	\$ 601,767
Taxes added	22,834	41,044
Penalties and interest	17,462	14,884
	<u>666,587</u>	<u>657,695</u>
Grants in lieu of taxation:		
Provincial government	-	10,427
Other local governments	59,714	47,334
	<u>59,714</u>	<u>57,761</u>
User fees		
Sales of service	37,656	24,550
Sales of goods	39,810	48,050
Rentals	-	3,856
Development charges	18,269	18,140
	<u>95,735</u>	<u>94,596</u>
Investment income:		
Cash and temporary investments	59,732	55,137
	<u>59,732</u>	<u>55,137</u>
Other revenue:		
Miscellaneous	3,290	29,522
	<u>3,290</u>	<u>29,522</u>
Grants - Province of Manitoba		
VLT revenues	73,556	73,616
Conditional grants	222,104	221,122
	<u>295,660</u>	<u>294,738</u>
Grants - other		
Other local governments	223,340	137,421
	<u>223,340</u>	<u>137,421</u>
Total revenue	<u>\$ 1,404,058</u>	<u>\$ 1,326,870</u>

R.M. OF REYNOLDS
CONSOLIDATED SCHEDULE OF EXPENSES
For the Year Ended December 31, 2018

SCHEDULE 3

	2018 Actual	2017 Actual
General government services:		
Legislative	\$ 67,046	\$ 70,676
General administrative	385,323	329,001
Other	92,865	85,862
	<u>545,234</u>	<u>485,539</u>
Protective services:		
Police	-	844
Fire	231,076	220,744
Emergency measures	5,012	4,095
Other	11,690	8,390
	<u>247,778</u>	<u>234,073</u>
Transportation services:		
Road transport		
Administration and engineering	58,157	46,133
Road and street maintenance	482,417	476,175
Street lighting	7,485	7,922
	<u>548,059</u>	<u>530,230</u>
Environmental health services:		
Waste collection and disposal	1,243	2,415
Recycling	132,967	129,922
Other	71,986	69,394
	<u>206,196</u>	<u>201,731</u>
Public health and welfare services:		
Public health	25,577	15,497
	<u>25,577</u>	<u>15,497</u>
Regional planning and development		
Planning and zoning	9,327	9,307
Other	61,165	38,390
	<u>70,492</u>	<u>47,697</u>
Resource conservation and industrial development		
Rural area weed control	3,282	2,860
Drainage of land	10,104	14,123
	<u>13,386</u>	<u>16,983</u>
Sub-total forward	<u><u>1,656,722</u></u>	<u><u>1,531,750</u></u>

R.M. OF REYNOLDS
CONSOLIDATED SCHEDULE OF EXPENSES
For the Year Ended December 31, 2018

SCHEDULE 3

	<u>2018 Actual</u>	<u>2017 Actual</u>
Sub-totals forward	<u>1,656,722</u>	<u>1,531,750</u>
Recreation and cultural services:		
Other recreational facilities	-	-
Total expenses	<u>\$ 1,656,722</u>	<u>\$ 1,531,750</u>

R.M. OF REYNOLDS
CONSOLIDATED STATEMENT OF OPERATIONS BY PROGRAM
For the Year Ended December 31, 2018

SCHEDULE 4

	General Government*		Protective Services		Transportation Services		Environmental Health Services		Public Health and Welfare Services	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
REVENUE										
Property taxes	\$ 666,587	\$ 657,695	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants in lieu of taxation	59,714	57,761	-	-	-	-	-	-	-	-
User fees	14,986	12,319	22,454	15,851	-	-	39,810	48,050	-	-
Grants - other	194,800	109,911	-	-	-	-	24,140	23,247	-	-
Investment income	58,729	54,761	-	-	-	-	1,003	376	-	-
Other revenue	3,290	29,522	-	-	-	-	-	-	-	-
Prov of MB - Unconditional Grants	73,555	73,616	-	-	-	-	-	-	-	-
Prov of MB - Conditional Grants	25,541	25,541	-	-	170,000	170,000	26,564	25,581	-	-
Total revenue	\$ 1,097,202	\$ 1,021,126	\$ 22,454	\$ 15,851	\$ 170,000	\$ 170,000	\$ 91,517	\$ 97,254	\$ -	\$ -
EXPENSES										
Personnel services	\$ 232,485	\$ 212,094	\$ 57,273	\$ 50,387	\$ 10,041	\$ 9,730	\$ 54,825	\$ 54,144	\$ -	\$ -
Contract services	214,699	182,260	121,151	108,345	245,118	232,652	61,817	64,076	-	-
Utilities	9,329	7,754	7,695	7,829	7,485	7,296	4,280	3,219	5,080	-
Maintenance materials and supplies	64,557	49,634	24,776	34,731	250,961	246,389	-	-	-	-
Grants and contributions	13,038	19,470	-	262	-	-	71,366	68,897	20,497	15,497
Amortization	11,126	14,327	36,883	32,519	34,454	34,163	11,203	11,395	-	-
Loss on disposal of capital assets	-	-	-	-	-	-	2,705	-	-	-
Total expenses	\$ 545,234	\$ 485,539	\$ 247,778	\$ 234,073	\$ 548,059	\$ 530,230	\$ 206,196	\$ 201,731	\$ 25,577	\$ 15,497
Surplus (Deficit)	\$ 551,968	\$ 535,587	\$ (225,324)	\$ (218,222)	\$ (378,059)	\$ (360,230)	\$ (114,679)	\$ (104,477)	\$ (25,577)	\$ (15,497)

* The general government category includes revenues and expenses that cannot be attributed to a particular sector.

R.M. OF REYNOLDS
CONSOLIDATED STATEMENT OF OPERATIONS BY PROGRAM
For the Year Ended December 31, 2018

SCHEDULE 4

	Regional Planning and Development		Resource Conservation and Industrial Dev		Recreation and Cultural Services		Transfers		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
REVENUE										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 666,587	\$ 657,695
Grants in lieu of taxation	-	-	-	-	-	-	-	-	59,714	57,761
User fees	18,485	18,376	-	-	-	-	-	-	95,735	94,596
Grants - other	4,400	4,263	-	-	-	-	-	-	223,340	137,421
Investment income	-	-	-	-	-	-	-	-	59,732	55,137
Other revenue	-	-	-	-	-	-	-	-	3,290	29,522
Prov of MB - Unconditional Grants	-	-	-	-	-	-	-	-	73,555	73,616
Prov of MB - Conditional Grants	-	-	-	-	-	-	-	-	222,105	221,122
Total revenue	\$ 22,885	\$ 22,639	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,404,058	\$ 1,326,870
EXPENSES										
Personnel services	\$ 16,576	\$ 19,849	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 371,200	\$ 346,204
Contract services	45,865	20,045	13,386	16,983	-	-	-	-	702,036	624,361
Utilities	-	-	-	-	-	-	-	-	33,869	26,098
Maintenance materials and supplies	50	50	-	-	-	-	-	-	340,344	330,804
Grants and contributions	8,000	7,750	-	-	-	-	-	-	112,901	111,876
Amortization	1	3	-	-	-	-	-	-	93,667	92,407
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	2,705	-
Total expenses	\$ 70,492	\$ 47,697	\$ 13,386	\$ 16,983	\$ -	\$ -	\$ -	\$ -	\$ 1,656,722	\$ 1,531,750
Surplus (Deficit)	\$ (47,607)	\$ (25,058)	\$ (13,386)	\$ (16,983)	\$ -	\$ -	\$ -	\$ -	\$ (252,664)	\$ (204,880)

R.M. OF REYNOLDS

SCHEDULE 5

CONSOLIDATED DETAILS AND RECONCILIATION TO CORE GOVERNMENT RESULTS

For the Year Ended December 31, 2018

	Core Government		Controlled Entities		Total	
	2018	2017	2018	2017	2018	2017
REVENUE						
Property taxes	\$ 666,587	\$ 657,695	\$ -	\$ -	\$ 666,587	\$ 657,695
Grants in lieu of taxation	59,714	57,761	-	-	59,714	\$ 57,761
User fees	55,709	46,310	40,026	48,286	95,735	\$ 94,596
Grants - other	194,800	109,911	28,540	27,510	223,340	\$ 137,421
Investment income	58,729	54,761	1,003	376	59,732	\$ 55,137
Other revenue	3,290	29,522	-	-	3,290	\$ 29,522
Prov of MB - Unconditional Grants	73,555	73,616	-	-	73,555	\$ 73,616
Prov of MB - Conditional Grants	195,541	195,541	26,564	25,581	222,105	\$ 221,122
Total revenue	\$ 1,307,925	\$ 1,225,117	\$ 96,133	\$ 101,753	\$ 1,404,058	\$ 1,326,870
EXPENSES						
Personnel services	\$ 316,204	\$ 291,587	\$ 54,996	\$ 54,620	\$ 371,200	\$ 346,207
Contract services	676,318	598,708	25,718	25,652	702,036	\$ 624,360
Utilities	29,589	22,879	4,280	3,219	33,869	\$ 26,098
Maintenance materials and supplies	340,294	330,754	50	50	340,344	\$ 330,804
Grants and contributions	111,587	110,439	1,314	1,437	112,901	\$ 111,876
Amortization	84,396	82,941	9,271	9,464	93,667	\$ 92,405
Loss on disposal of capital assets	-	-	2,705	-	2,705	\$ -
Total expenses	\$ 1,558,388	\$ 1,437,308	\$ 98,334	\$ 94,442	\$ 1,656,722	\$ 1,531,750
Surplus (Deficit)	\$ (250,463)	\$ (212,191)	\$ (2,201)	\$ 7,311	\$ (252,664)	\$ (204,880)

R.M. OF REYNOLDS

SCHEDULE 6

SCHEDULE OF CHANGE IN RESERVE FUND BALANCES

For the Year Ended December 31, 2018

	2018			2017	
	General Reserve	Fire Equip Reserve	Capital Improve Reserve	Total	Total
REVENUE					
Investment income	\$ 17,233	\$ 4,040	\$ 1,764	\$ 23,037	\$ 16,003
Other income	-	-	-	-	-
Total revenue	17,233	4,040	1,764	23,037	16,003
EXPENSES					
Total expenses	-	-	-	-	-
NET REVENUES	17,233	4,040	1,764	23,037	16,003
TRANSFERS					
Transfers from general operating fund	25,970	212,679	-	238,649	56,817
Transfers to general operating fund	(21,300)	(230,111)	-	(251,411)	-
CHANGE IN RESERVE FUND BALANCES	21,903	(13,392)	1,764	10,275	72,820
FUND SURPLUS, BEGINNING OF YEAR	765,565	314,477	66,265	1,146,307	1,073,487
FUND SURPLUS, END OF YEAR	\$ 787,468	\$ 301,085	\$ 68,029	\$ 1,156,582	\$ 1,146,307

R.M. OF REYNOLDS

SCHEDULE 7

RECONCILIATION OF THE FINANCIAL PLAN TO THE BUDGET
For the Year Ended December 31, 2018

	Financial Plan General	Amortization (TCA)	Transfers	Consolidated Entities	PSAB Budget
REVENUE					
Property taxes	\$ 432,067	\$ -	\$ -	\$ -	\$ 432,067
Grants in lieu of taxation	251,514	-	-	-	251,514
User fees	40,120	-	-	91,885	132,005
Investment income	30,000	-	-	-	30,000
Grants - Province of Manitoba	595,703	-	-	-	595,703
Grants - other	134,541	-	-	4,400	138,941
Other Revenue	-	-	-	-	-
Transfers from accumulated surplus	446,000	-	(446,000)	-	-
Transfers from reserves	424,500	-	(424,500)	-	-
Total revenue	\$ 2,354,445	\$ -	\$ (870,500)	96,285	\$ 1,580,230
EXPENSES					
General government services	\$ 614,223	\$ 8,980	\$ -	\$ -	\$ 623,203
Protective services	215,917	48,598	-	-	264,515
Transportation services	613,329	33,299	-	-	646,628
Environmental health services	109,762	-	-	111,206	220,968
Public health and welfare services	45,497	-	-	-	45,497
Regional planning and development	35,335	-	-	8,800	44,135
Resource cons and industrial dev	58,550	-	-	-	58,550
Recreation and cultural services	-	-	-	-	-
Fiscal services:					
School payment	2,441,708	-	(2,441,708)	-	-
Transfer to capital	554,500	-	(554,500)	-	-
Transfer to reserves	142,703	-	(142,703)	-	-
Total expenses	\$ 4,831,524	\$ 90,877	\$ (3,138,911)	\$ 120,006	\$ 1,903,496
Surplus (Deficit)	\$ (2,477,079)	\$ (90,877)	\$ 2,268,411	\$ (23,721)	\$ (323,266)

R.M. OF REYNOLDS
ANALYSIS OF TAXES ON ROLL
December 31, 2018

SCHEDULE 8

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 154,115	\$ 159,569
Add:		
Tax levy (Schedule 9)	2,873,775	2,815,620
Taxes added	49,346	43,560
Penalties or interest	18,557	18,124
Other accounts added	251,514	285,880
	<u>3,193,192</u>	<u>3,163,184</u>
Sub-total	3,193,192	3,163,184
Deduct:		
Cash collections - current	2,833,901	2,718,764
Cash collections - arrears	-	132,450
Writeoffs	-	-
Title value of land sales	-	-
Title value of tax title acquired	-	-
Tax discounts	-	-
M.P.T.C. - cash advance	282,969	277,996
Other credits (specify)	-	39,428
	<u>-</u>	<u>39,428</u>
Sub-total	3,116,870	3,168,638
Balance, end of year	\$ 230,437	\$ 154,115

R.M. OF REYNOLDS
ANALYSIS OF TAX LEVY
For the Year Ended December 31, 2018

SCHEDULE 9

	2018			2017
	Assessment	Mill Rate	Levy	Levy
Reserves:				
Fire equipment Replacement	\$ 124,486,370	0.367	<u>45,687</u>	45,645
sub-total- Reserves			<u>45,687</u>	<u>45,645</u>
General municipal	\$ 124,486,370	4.664	<u>580,604</u>	556,122
Total municipal taxes (Schedule 2)			<u>626,291</u>	601,767
Education support levy	\$ 61,950,680	9.770	<u>605,258</u>	651,603
Special levies:				
Sunrise School Division	\$ 92,285,310	13.845	<u>1,277,690</u>	1,214,614
Seine River School Division	\$ 24,886,390	14.648	<u>364,536</u>	347,636
sub-total- Special levies			<u>1,642,226</u>	<u>1,562,250</u>
Total education taxes			<u>2,247,484</u>	2,213,853
Total tax levy (Schedule 8)			<u>2,873,775</u>	<u>\$ 2,815,620</u>

R.M. OF REYNOLDS
 ANALYSIS OF SCHOOL ACCOUNTS
 December 31, 2018

SCHEDULE 10

	2018			2017	
	Opening Balance	Current Requirement	Current Payment	Ending Balance	Ending Balance
Education support levy	\$ 36,438	\$ 1,152	\$ -	\$ 37,590	\$ 36,438
Special levies					
Sunrise School Division	51,277	67,516	-	118,793	51,277
Seine River School Division	14,577	17,172	-	31,749	14,577
Sub-total	65,854	84,688	-	150,542	65,854
Total	\$ 102,292	\$ 85,840	\$ -	\$ 188,132	\$ 102,292

SCHEDULE OF GENERAL OPERATING FUND EXPENSES

For the Year Ended December 31, 2018

	2018 Actual	2017 Actual
General government services:		
Legislative	\$ 67,046	\$ 70,676
General administrative	385,323	329,001
Other	92,865	85,862
	<u>545,234</u>	<u>485,539</u>
Protective services:		
Police	-	843
Fire	231,076	220,744
Emergency measures	5,012	4,095
Other	11,690	8,391
	<u>247,778</u>	<u>234,073</u>
Transportation services:		
Road transport		
Administration and engineering	58,157	46,133
Road and street maintenance	482,417	476,175
Street lighting	7,485	7,922
	<u>548,059</u>	<u>530,230</u>
Environmental health services:		
Waste collection and disposal	1,243	2,415
Recycling	35,547	37,037
Other	71,985	69,394
	<u>108,775</u>	<u>108,846</u>
Public health and welfare services:		
Public health	25,577	15,497
Medical care	-	-
	<u>25,577</u>	<u>15,497</u>
Regional planning and development		
Planning and zoning	8,414	7,750
Other	61,165	38,390
	<u>69,579</u>	<u>46,140</u>
Resource conservation and industrial development		
Rural area weed control		
Drainage of land	3,282	2,857
Tourism	10,104	14,126
	<u>13,386</u>	<u>16,983</u>
Total expenses	<u>\$ 1,558,388</u>	<u>\$ 1,437,308</u>

R.M. OF REYNOLDS

SCHEDULE 12

RECONCILIATION OF ANNUAL SURPLUS (DEFICIT)

December 31, 2018

	2018		2017
	General	Total	Total
MUNICIPAL NET SURPLUS (DEFICIT) UNDER THE MUNICIPAL ACT	\$ (254,843)	(254,843)	\$ (232,187)
Adjustments for reporting under public sector accounting standards			
Eliminate expense - transfers to reserves	-	-	-
Eliminate revenue - transfers from reserves	(238,649)	(238,649)	56,817
Increase revenue - reserve funds interest	-	-	-
Increase (Decrease) revenue - Net surplus (deficit) of consolidated entities	2,201	2,201	7,311
Eliminate revenue - transfer from nominal surplus(es)	(23,037)	(23,037)	(16,003)
Increase expense - amortization of tangible capital assets	(90,877)	(90,877)	(94,310)
Eliminate expense - acquisitions of tangible capital assets	352,541	352,541	73,492
NET SURPLUS (DEFICIT) PER CONSOLIDATED STATEMENT OF OPERATIONS	\$ (252,664)	\$ (252,664)	\$ (204,880)