
THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER
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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Village of South River

Opinion

We have audited the consolidated financial statements of The Corporation of the Village of South River ("the Village"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Village of South River as at December 31, 2021, and its results of operations and its 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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Village in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Village's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Village or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village'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 Village's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Village to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Village and the organizations it controls to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

North Bay, Canada
July 25, 2022

Chartered Professional Accountants
Licensed Public Accountants

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	2021	2020
FINANCIAL ASSETS		
Cash and cash equivalents (Note 4)	\$ 2,090,561	\$ 1,415,005
Investments (Note 5)	11,312	-
Taxes receivable (Note 6)	130,654	304,301
Accounts receivable	495,832	246,012
Long-term receivable (Note 7)	-	50,000
Investment in South River Power Generation Corporation (Note 8)	1,381,094	1,147,833
Inventories held for resale	208	7,359
	4,109,661	3,170,510
LIABILITIES		
Accounts payable and accrued liabilities	642,120	399,548
Accrued interest on long-term debt	1,299	1,411
Deferred revenue-general (Note 9)	45,103	36,092
Deferred revenue-obligatory reserve funds (Note 10)	421,903	278,142
Municipal debt (Note 11)	854,375	976,598
Tangible capital lease liability (Note 12)	74,452	101,525
Employee benefits payable (Note 13)	25,079	26,887
	2,064,331	1,820,203
NET FINANCIAL ASSETS	2,045,330	1,350,307
NON-FINANCIAL ASSETS		
Tangible capital assets - net (Note 15)	8,347,135	8,386,642
Inventories of supplies	23,488	17,980
Prepaid expenses	50,765	41,621
	8,421,388	8,446,243
ACCUMULATED SURPLUS (Note 16)	\$ 10,466,718	\$ 9,796,550

Contingencies (see Notes 2 and 8)
Contractual Obligations (see Note 14)

APPROVED ON BEHALF OF COUNCIL:

_____ Mayor

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER
CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget 2021 <i>(see Note 19)</i>	Actual 2021	Actual 2020
REVENUE			
Property taxes	\$ 1,189,015	\$ 1,200,634	\$ 1,146,939
User charges	454,508	400,268	394,931
Government transfers	1,229,892	1,208,328	1,077,409
Change in accumulated surplus of South River Power Generation Corporation <i>(Note 8)</i>	104,550	233,261	(36,500)
Other	228,105	419,242	212,198
TOTAL REVENUE	3,206,070	3,461,733	2,794,977
EXPENSES			
General government	570,718	519,986	568,099
Protection to persons and property	512,138	487,999	483,604
Transportation services	473,766	363,821	398,194
Environmental services	642,890	685,454	657,651
Health services	205,372	204,781	199,940
Social and family services	58,680	59,133	54,551
Recreation and cultural services	340,505	312,392	322,283
Planning and development	182,554	157,999	179,323
TOTAL EXPENSES	2,986,623	2,791,565	2,863,645
ANNUAL SURPLUS (DEFICIT) <i>(Note 16)</i>	219,447	670,168	(68,668)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	9,796,550	9,796,550	9,865,218
ACCUMULATED SURPLUS, END OF YEAR	\$ 10,015,997	\$ 10,466,718	\$ 9,796,550

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget 2021 <i>(see Note 19)</i>	Actual 2021	Actual 2020
Annual surplus (deficit)	\$ 219,447	\$ 670,168	\$ (68,668)
Acquisition of tangible capital assets	(510,530)	(523,612)	(297,817)
Contributed tangible capital assets - net	-	(60,534)	-
Amortization of tangible capital assets	432,034	431,974	450,313
Loss on disposal of tangible capital assets	-	16,662	31,812
Proceeds from disposal of tangible capital assets	146,000	175,017	80,338
Change in supplies inventories	-	(5,508)	(2,332)
Change in prepaid expenses	-	(9,144)	(4,983)
Increase in net financial assets	286,951	695,023	188,663
Net financial assets, beginning of year	1,350,307	1,350,307	1,161,644
Net financial assets, end of year	\$ 1,637,258	\$ 2,045,330	\$ 1,350,307

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
Operating transactions		
Annual surplus (deficit)	\$ 670,168	\$ (68,668)
Non-cash charges to operations:		
Amortization	431,974	450,313
Contributed tangible capital assets - net	(60,534)	-
Loss on disposal of tangible capital assets	16,662	31,812
Change in employee benefits payable	(1,808)	157
	1,056,462	413,614
Changes in non-cash items:		
Taxes receivable	173,647	(4,014)
Accounts receivable	(249,820)	(71,334)
Long-term receivable	50,000	50,000
Inventories held for resale	7,151	(6,055)
Accounts payable and accrued liabilities	242,572	20,907
Accrued interest on long-term debt	(112)	(110)
Deferred revenue-general	9,011	4,495
Deferred revenue-obligatory reserve funds	143,761	59,485
Inventories of supplies	(5,508)	(2,332)
Prepaid expenses	(9,144)	(4,983)
	361,558	46,059
Cash provided by operating transactions	1,418,020	459,673
Capital transactions		
Acquisition of tangible capital assets	(523,612)	(191,780)
Proceeds from disposal of tangible capital assets	175,017	80,338
Cash applied to capital transactions	(348,595)	(111,442)
Investing transactions		
Change in investment in South River Power Generation Corporation	(233,261)	36,500
Change in investments	(11,312)	-
Cash provided by (applied to) investing transactions	(244,573)	36,500
Financing transactions		
Debt principal repayments	(122,223)	(94,691)
Tangible capital lease repayments	(27,073)	(5,851)
Cash provided applied to financing transactions	(149,296)	(100,542)
Net change in cash and cash equivalents	675,556	284,189
Cash and cash equivalents, beginning of year	1,415,005	1,130,816
Cash and cash equivalents, end of year	\$ 2,090,561	\$ 1,415,005
Cash flow supplementary information:		
Cash paid for interest	\$ 26,210	\$ 29,775
Non-cash capital and financing transactions - capital leases	\$ -	\$ 106,037

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2021

MANAGEMENT RESPONSIBILITY

The consolidated financial statements of the Corporation of the Village of South River (the "Municipality") are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of significant accounting policies is provided in Note 1. The preparation of 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.

Management maintains a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are 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.

1. SIGNIFICANT ACCOUNTING POLICIES

Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Reporting Entity

These consolidated statements reflect the assets, liabilities, revenue, expenses and accumulated surplus of the reporting entity. The reporting entity is comprised of all committees of Council and the boards, joint boards and municipal enterprises for which Council is politically accountable as follows:

(i) Consolidated and proportionally consolidated entities

The following local board is consolidated:

Cemetery

The following joint boards, committees and enterprises are proportionally consolidated:

Fire
Building
Medical Centre
Arena and Community Centre
Library
Ambulance Building
Economic Development

Inter-organizational transactions and balances between these organizations are eliminated.

(ii) Modified equity accounting

Government business enterprises are accounted for by the modified equity method. Under this method the business enterprises' accounting principles are not adjusted to conform with those of the Municipality and inter-organizational transactions and balances are not eliminated. The following government business enterprise is included in these financial statements: South River Power Generation Corporation.

(iii) Non-consolidated entities

The following joint boards are not consolidated:

North Bay Parry Sound District Health Unit
District of Parry Sound Social Services Administration Board
District of Parry Sound (East) Home for the Aged

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2021

- (iv) Accounting for school board transactions
The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these consolidated financial statements.
 - (v) Trust funds
Trust funds administered by the Municipality are not included in these consolidated financial statements, but are reported separately on the trust funds financial statements.
- (b) Basis of Accounting
- (i) Accrual basis of accounting
Revenue and expenses are reported on the accrual basis of accounting. Revenue is recognized in the year in which it is earned and measurable. Expenses 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.
 - (ii) Cash and cash equivalents
Cash and cash equivalents include cash on hand, balances with financial institutions and short-term deposits with original maturities of three months or less.
 - (iii) Non-financial assets
Non-financial assets are not available to discharge existing liabilities but are held for use in the provision of municipal services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.
- (a) Tangible capital assets
Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Tangible capital assets received as donations are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. 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 years
 - Buildings and leasehold improvements - 10 to 50 years
 - Machinery, equipment and furniture - 5 to 20 years
 - Vehicles - 2 to 20 years
 - Roads - 10 to 75 years
 - Bridges - 60 years
 - Water plants and networks - 30 to 50 years
- One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.
- Works of art and historical treasures owned by the Municipality are not included in the tangible capital assets reported in these financial statements. The Municipality owns an historical train station as well as a number of paintings and other pieces of artwork that are prominently displayed in municipal buildings.
- Interest related to the acquisition of capital assets is not capitalized, but is expensed in the year incurred.

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2021

- (b) Inventories of supplies
Inventories held for consumption are recorded at the lower of cost and replacement cost.

- (iv) Reserves and reserve funds
Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Balances related to these funds are included in the accumulated surplus of the Consolidated Statement of Financial Position.

- (v) Government transfers
Government transfers are recognized in the financial statements as revenue when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the Consolidated Statement of Operations as the stipulation liabilities are settled.

- (vi) Deferred revenue
Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the Consolidated Statement of Financial Position. The revenue is reported on the Consolidated Statement of Operations in the year in which it is used for the specified purpose.

- (vii) Taxation and related revenue
Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes. Property tax billings are prepared by the Municipality based on assessment rolls, supplementary assessment rolls and other assessment adjustments issued by the Municipal Property Assessment Corporation ("MPAC"). Taxation revenue is initially recorded at the time assessment information is received from MPAC and is subsequently adjusted based on management's best estimate of the amount of tax revenue resulting from assessment adjustments that have not yet been received from MPAC. The Municipality is entitled to collect interest and penalties on overdue taxes. This revenue is recorded in the period the interest and penalties are levied.

- (viii) Pensions and employee benefits
The Municipality accounts for its participation in the Ontario Municipal Employee Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan. Obligations for sick leave and employee retirement gratuities under employee benefits payable are accrued as the employees render the services necessary to earn the benefits.

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2021

(ix) 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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Municipality may undertake in the future. Significant accounting estimates include valuation allowances for taxes and accounts receivable, employee benefits payable, estimated useful lives of tangible capital assets and supplementary taxes. Actual results could differ from these estimates.

2. CONTRIBUTIONS TO UNCONSOLIDATED JOINT BOARDS

Further to Note 1(a)(iii), the following contributions were made by the Municipality to these boards:

	2021	2020
District of Parry Sound Social Services Administration Board	\$ 30,476	\$ 30,023
North Bay Parry Sound District Health Unit	32,040	32,040
District of Parry Sound (East) Home for the Aged	26,157	22,028
	\$ 88,673	\$ 84,091

The Municipality is contingently liable for its share, if any, of the accumulated deficits as at the end of the year for these boards. The Municipality's share of the accumulated surpluses (or deficits) of these boards has not been determined at this time.

The Municipality is also contingently liable for its share, if any, of the long-term liabilities issued by other municipalities for these boards. The Municipality's share of these long-term liabilities has not been determined at this time.

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2021

3. TRANSACTIONS ON BEHALF OF OTHERS

- (a) During the year, \$175,698 of taxation was levied on behalf of school boards (2020 \$177,208).
- (b) Trust funds administered by the Municipality totalling \$177,093 (2020 \$173,343) are not included in these consolidated financial statements, as they are being held in trust for the benefit of others. Trusts under administration include:
- (i) Fire Department Fund
This trust fund was established in 2010 for the purposes of purchasing fire equipment. These funds are invested and earnings derived therefrom are applied to the cost of capital expenditures for the South River-Machar Volunteer Fire Department. The balance of the trust is \$100,000 (2020 \$100,000).
- (ii) Care and Maintenance
This trust fund is funded by the sale of cemetery interment rights and markers. These funds are invested and earnings derived therefrom are used to perform maintenance at the Municipality's cemetery. The balance of the trust is \$77,093 (2020 \$74,343).

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents is comprised of:

	2021	2020
Unrestricted cash	\$ 1,668,658	\$ 1,136,863
Restricted cash	421,903	278,142
	\$ 2,090,561	\$ 1,415,005

Federal and Provincial legislation restricts how restricted cash related to obligatory reserve funds, reported in Note 10, may be used.

5. INVESTMENTS

Investments are comprised of guaranteed investment certificates, bearing interest at 1.6% and maturing June 30, 2024.

6. TAXES RECEIVABLE

Taxes receivable are comprised of taxes receivable of \$130,654 (2020 \$304,301) and valuation allowances of NIL (2020 NIL).

7. LONG-TERM RECEIVABLE

In 2007 the Municipality advanced \$450,000 to the South River Power Generation Corporation, a wholly owned government business enterprise. The loan was repaid in full in 2021.

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2021

8. INVESTMENT IN SOUTH RIVER POWER GENERATION CORPORATION

South River Power Generation Corporation is a wholly owned government business enterprise of the Municipality that is engaged in the business of generating hydroelectric power from its plant in South River, Ontario. Condensed financial information in respect to South River Power Generation Corporation is provided below.

	2021	2020
Statement of Financial Position		
Financial assets	\$ 654,989	\$ 702,205
Liabilities		
Payables and accruals	105,637	98,374
Term loan	2,636,834	2,832,210
Derivative	141,401	289,122
Due to shareholder	-	50,000
Future income tax liability	507,497	478,983
	<u>3,391,369</u>	<u>3,748,689</u>
Net debt	(2,736,380)	(3,046,484)
Non-financial assets		
Tangible capital assets	4,117,474	4,194,317
	<u>4,117,474</u>	<u>4,194,317</u>
Accumulated surplus is comprised of		
Accumulated operating surplus	1,522,495	1,436,955
Accumulated rereasurement losses	(141,401)	(289,122)
	\$ 1,381,094	\$ 1,147,833
Statement of Operations		
Revenue	\$ 573,535	\$ 585,803
Expenses	459,481	451,687
Future payments in lieu of income taxes	28,514	33,529
Annual surplus	\$ 85,540	\$ 100,587
Statement of Remeasurement Gains and Losses		
Accumulated rereasurement losses, beginning of year	\$ (289,122)	\$ (152,035)
Unrealized gain (loss) on fair value of derivative	147,721	(137,087)
Accumulated rereasurement losses, end of year	\$ (141,401)	\$ (289,122)
Total change in surplus	\$ 233,261	\$ (36,500)

The South River Power Generation Corporation has a \$2,636,834 (2020 \$2,832,210) term loan with a chartered bank. The loan has been guaranteed by the Municipality.

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2021

9. DEFERRED REVENUE-GENERAL

The South River-Machar Medical Centre has an ongoing Rural and Northern Physicians Group Agreement with the Ministry of Health and Long-term Care. Payments received under this agreement are recognized in revenue as the related expenditures are incurred.

Details of the deferred revenue reported on the Consolidated Statement of Financial Position are as follows:

	2021	2020
Balance, beginning of year:		
Rural and Northern Physicians Group Agreement	\$ 21,830	\$ 16,497
Cannabis Legalization Implementation Fund	14,000	15,000
Other	262	100
	36,092	31,597
Received and receivable during the year:		
Rural and Northern Physicians Group Agreement	104,769	102,827
Cannabis Legalization Implementation Fund	5,000	-
Dedicated donations	18,500	-
Other funding	104	262
	128,373	103,089
Recognized in revenue during the year	(119,362)	(98,594)
Balance, end of year	\$ 45,103	\$ 36,092
Rural and Northern Physicians Group Agreement	\$ 29,018	\$ 21,830
Cannabis Legalization Implementation Fund	-	14,000
Dedicated donations	15,981	-
Other deferred revenue	104	262
Balance, end of year	\$ 45,103	\$ 36,092

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2021

10. DEFERRED REVENUE-OBLIGATORY RESERVE FUNDS

The Municipality receives payments in lieu of parkland under the Planning Act, building permit revenue under the Building Code Act, Canada Community-Building funding (previously gas tax) under an agreement with the Association of Municipalities of Ontario and Ontario Community Infrastructure Fund funding under an agreement with the Ministry of Infrastructure. Legislation restricts how these funds may be used, and under certain circumstances, how these funds may be refunded.

In the case of payments in lieu of parkland, revenue recognition occurs when the Municipality has approved eligible expenditures for park and other public recreation purposes. Building permit revenue is recognized when applicable building expenditures are incurred. Community-Building and Ontario Community Infrastructure Fund revenue recognition occurs when the Municipality has approved the expenditures for eligible operating expenditures and capital works.

Details of the deferred revenue-obligatory reserve funds reported on the Consolidated Statement of Financial Position are as follows:

	2021	2020
Balance, beginning of year:		
Recreational land (the Planning Act)	\$ 317	\$ 311
Building Code Act	18,810	16,611
Canada Community-Building	248,225	201,735
Ontario Community Infrastructure Fund	10,790	-
	<u>278,142</u>	<u>218,657</u>
Received during the year:		
Building Code Act	19,899	2,199
Canada Community-Building	138,590	67,589
Ontario Community Infrastructure Fund	50,000	50,000
Interest earned	5,318	5,198
	<u>213,807</u>	<u>124,986</u>
Recognized in revenue during the year	<u>(70,046)</u>	<u>(65,501)</u>
Balance, end of year	\$ 421,903	\$ 278,142
Recreational land (the Planning Act)	\$ 321	\$ 317
Building Code Act	38,709	18,810
Canada Community-Building	382,873	248,225
Ontario Community Infrastructure Fund	-	10,790
Balance, end of year	\$ 421,903	\$ 278,142

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2021

11. MUNICIPAL DEBT

(a) The balance of the municipal debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2021	2020
Kawartha Credit Union, open term loan, repaid in 2021	\$ -	\$ 40,009
50% share of South River-Machar Fire Department debt -		
Ontario Infrastructure and Lands Corporation debenture, due April 2031, repayable in semi-annual payments of \$10,045 including interest calculated at 2.84%, secured by future Provincial funding	83,126	90,650
TD Commercial Banking term loan, due February 2028, repayable in monthly payments of \$4,601 including interest calculated at 2.99%	153,362	176,014
TD Commercial Banking term loan, due November 2024, repayable in monthly payments of \$1,257 including interest calculated at 2.66%	21,143	28,022
Ontario Infrastructure and Lands Corporation debenture, due October 2031, repayable in monthly payments of \$1,896 including interest calculated at 2.57%, secured by future Provincial funding	197,512	214,945
TD Commercial Banking term loan, due May 2037, repayable in monthly payments of \$1,946 including interest calculated at 3.03%	287,373	301,780
TD Commercial Banking term loan, due May 2029, repayable in monthly payments of \$1,399 including interest calculated at 2.91%	111,859	125,178
	\$ 854,375	\$ 976,598

(b) Future estimated principal and interest payments on the municipal debt are as follows:

	Principal	Interest
2022	\$ 84,589	\$ 23,491
2023	87,034	21,046
2024	88,886	18,568
2025	84,486	16,053
2026	86,944	13,595
2027 onwards	422,436	46,598
	\$ 854,375	\$ 139,351

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2021

11. MUNICIPAL DEBT (continued)

(c) Total charges for the year for municipal debt which are reported in the financial statements are as follows:

	2021	2020
Principal payments	\$ 122,223	\$ 94,691
Interest	26,098	29,665
	\$ 148,321	\$ 124,356

12. TANGIBLE CAPITAL LEASES

The Municipality leases public works equipment, which is accounted for on the Consolidated Statement of Financial Position at the present value of future minimum lease payments, with an implicit interest rate of 0.0%. Future minimum lease payments are as follows:

	2021	2020
2021	\$ -	\$ 27,073
2022	27,073	27,073
2023	27,073	27,073
2024	20,306	20,306
Total minimum lease payments	74,452	101,525
Less amount representing interest	-	-
Present value of future minimum capital lease payments	\$ 74,452	\$ 101,525

13. EMPLOYEE BENEFITS PAYABLE

(a) Under the sick leave benefits plan, unused sick leave can accumulate to a prescribed maximum and qualifying employees may become entitled to a cash payment when they leave the Municipality's employment. The sick leave benefit liability estimates the use of accumulated sick leave prior to retirement, as well as any lump-sum payments upon retirement, and assumes that both the appropriate discount rate and future salary and wage levels will increase by 2% per annum. The liability for these accumulated days amounted to \$23,786 (2020 \$25,456) at the end of the year.

(b) Under the retirement gratuity policy of the Joint Building Committee, qualifying employees are entitled to a payout, upon retirement, based on length of service and rate of pay. The retirement gratuity liability estimates the lump-sum payments upon retirement, and assumes that both the appropriate discount rate and future salary and wage levels will increase by 2% per annum. The Municipality's share of the retirement gratuity is estimated at \$1,293 (2020 \$1,431) at the end of the year.

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2021

14. CONTRACTUAL OBLIGATIONS

In 2016, the Municipality entered into an agreement with the Ontario Clean Water Agency (OCWA) for the provision of management, operation and maintenance services related to the municipal water treatment facilities. The agreement is effective for an initial term of ten years, commencing January 1, 2016. In 2019, the Municipality entered into an amending agreement with OCWA as it relates to annual pricing. For years 2020 onward, the annual base price is \$206,207 plus the greater of the CPI adjustment or 1.0%, plus an adjustment for maintaining the insurance, if necessary, which is renewed annually by OCWA, plus the total chemical estimate as outlined in Schedule 1 of the agreement. The annual CPI adjustment or 1.0% shall be added to the \$206,207 on a cumulative basis.

In 2021 the Municipality contracted GSS Engineering Consultants Ltd. to provide project management and engineering services at an upset cost estimate of \$238,780 plus HST for the rehabilitation of the watermains, roads and sidewalks on Ottawa Avenue, Alfred Street and Eagle Lake Road. In 2021, \$93,697 of work under this contract was performed. The balance of the work is expected to be completed in 2022.

In 2021 the Municipality engaged TownSuite Municipal Software Inc. to provide computer software at a cost of \$210,000 plus HST. In 2021, \$142,500 of this contract was paid. The project is expected to be completed in 2022.

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2021

15. TANGIBLE CAPITAL ASSETS

The tangible capital assets of the Municipality by major asset class are outlined below.

2021								
	Land and Land Improvements	Buildings and Leasehold Improvements	Machinery and Equipment	Vehicles	Roads and Bridges	Water Plants and Networks	Assets Under Construction	TOTAL
COST								
Balance, beginning of year	\$ 1,273,172	\$ 4,266,645	\$ 1,426,785	\$ 713,322	\$ 2,662,561	\$ 6,068,524	\$ -	\$ 16,411,009
Additions and betterments	6,475	10,086	91,997	10,183	-	95,291	309,580	523,612
Contributed assets	60,534	-	-	-	-	-	-	60,534
Disposals and writedowns	(26,168)	(151,770)	(61,990)	(8,941)	-	(35,364)	-	(284,233)
BALANCE, END OF YEAR	1,314,013	4,124,961	1,456,792	714,564	2,662,561	6,128,451	309,580	16,710,922
ACCUMULATED AMORTIZATION								
Balance, beginning of year	386,778	1,152,561	696,064	206,905	2,078,598	3,503,461	-	8,024,367
Annual amortization	25,119	86,268	95,501	40,268	16,871	167,947	-	431,974
Amortization disposals	(697)	(16,782)	(61,196)	(5,365)	-	(8,514)	-	(92,554)
BALANCE, END OF YEAR	411,200	1,222,047	730,369	241,808	2,095,469	3,662,894	-	8,363,787
TANGIBLE CAPITAL ASSETS-NET	\$ 902,813	\$ 2,902,914	\$ 726,423	\$ 472,756	\$ 567,092	\$ 2,465,557	\$ 309,580	\$ 8,347,135

2020								
	Land and Land Improvements	Buildings and Leasehold Improvements	Machinery and Equipment	Vehicles	Roads and Bridges	Water Plants and Networks	Assets Under Construction	TOTAL
COST								
Balance, beginning of year	\$ 1,273,792	\$ 4,246,840	\$ 1,357,295	\$ 707,416	\$ 2,662,561	\$ 6,039,076	\$ -	\$ 16,286,980
Additions and betterments	-	42,480	164,518	8,271	-	82,548	-	297,817
Disposals and writedowns	(620)	(22,675)	(95,028)	(2,365)	-	(53,100)	-	(173,788)
BALANCE, END OF YEAR	1,273,172	4,266,645	1,426,785	713,322	2,662,561	6,068,524	-	16,411,009
ACCUMULATED AMORTIZATION								
Balance, beginning of year	363,049	1,077,719	639,590	168,539	2,039,346	3,347,449	-	7,635,692
Annual amortization	23,729	87,329	92,362	40,141	39,252	167,500	-	450,313
Amortization disposals	-	(12,487)	(35,888)	(1,775)	-	(11,488)	-	(61,638)
BALANCE, END OF YEAR	386,778	1,152,561	696,064	206,905	2,078,598	3,503,461	-	8,024,367
TANGIBLE CAPITAL ASSETS-NET	\$ 886,394	\$ 3,114,084	\$ 730,721	\$ 506,417	\$ 583,963	\$ 2,565,063	\$ -	\$ 8,386,642

Included in tangible capital assets are leased tangible capital assets with a cost of \$151,169 (2020 \$151,169) and accumulated amortization of \$15,117 (2020 \$5,039).

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2021

16. ACCUMULATED SURPLUS

The 2021 continuity of accumulated surplus reported on the Consolidated Statement of Financial Position is as follows:

	Balance Beginning of Year	Annual Surplus (Deficit)	Balance End of Year
RESERVES AND RESERVE FUNDS			
General municipal	\$ 797,853	\$ 213,295	\$ 1,011,148
Sick leave	7,566	-	7,566
Election	1,500	1,500	3,000
Fire	60,637	21,657	82,294
Roads	78,638	12,226	90,864
Train Station	2,845	-	2,845
Cemetery	8,500	4,000	12,500
Medical Centre	88,738	14,449	103,187
Ambulance	29,466	2,022	31,488
Arena	2,500	-	2,500
Library	1,500	500	2,000
Economic development	-	126,300	126,300
Happy Landing Commercial Court	-	165,500	165,500
	1,079,743	561,449	1,641,192
OTHER			
Consolidated tangible capital assets	8,386,642	(39,507)	8,347,135
General operating surplus (deficit) -			
Municipality	245,958	(222,290)	23,668
Water	(17,379)	(23,296)	(40,675)
Medical Centre	20,107	1,983	22,090
Helipad	9,733	963	10,696
Cemetery	24,217	2,566	26,783
Library	3,509	440	3,949
Almaguin Community Economic Development	1,197	3,495	4,692
Accumulated surplus of South River Power Generation Corporation	1,147,833	233,261	1,381,094
Unfunded liabilities -			
Municipal debt	(976,598)	122,223	(854,375)
Tangible capital lease	(101,525)	27,073	(74,452)
Employee benefits	(26,887)	1,808	(25,079)
	\$ 9,796,550	\$ 670,168	\$ 10,466,718

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2021

17. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT

The Municipality and its Boards and Committees provide a wide range of services to its citizens. The schedule of segment disclosure provides a breakdown of the annual surplus (deficit) reported on the Consolidated Statement of Operations by major reporting segment. The segments correspond to the major functional categories used in the Municipality's Financial Information Return, which include the following activities:

General Government

This segment includes Council, Clerk's Department, and Treasury. This area supports the operating departments in implementing priorities of Council and provides strategic leadership on issues relating to governance, strategic planning and service delivery.

Protection to Persons and Property

This segment includes fire, police, building inspection, conservation authority, emergency measures and bylaw enforcement. Police services are provided by the Ontario Provincial Police under contract.

Transportation Services

Transportation services include roadway systems and winter control.

Environmental Services

This segment includes waterworks and solid waste management.

Health Services

This segment includes the medical centre, cemetery, ambulance, helipad and payments to the district health unit.

Social and Family Services

This segment consists primarily of payments made to the district social services administration board and home for the aged for the provision of social services such as childcare, social housing, general assistance and assistance to the elderly.

Recreation and Culture

This segment includes parks, recreation programs, recreation facilities, library services and cultural services.

Planning and Development

This segment includes activities related to planning, zoning and economic development.

Unallocated Amounts

Items are recorded as unallocated amounts when there is no reasonable basis for allocating them to a segment. Major items included in this category are property taxation and related penalty and interest charges, and unconditional grants such as the Municipality's annual Ontario Municipal Partnership Fund grant.

In the preparation of segmented financial information, some allocation of expenses is made. This generally includes charges of machinery and administrative time to specific segments.

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2021

17. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2021

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Unallocated Amounts	Consolidated
REVENUE										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,200,634	\$ 1,200,634
User charges	5,591	1,150	24,699	340,003	830	-	26,915	1,080	-	400,268
Government transfers -										
Canada	2,778	-	23,395	33,914	2,500	-	62,772	14,672	-	140,031
Ontario	121,509	29,609	19,494	81,675	100,253	-	23,003	6,188	662,397	1,044,128
Other municipalities	-	23,255	-	-	-	-	-	914	-	24,169
Change in accumulated surplus of South River Power Generation Corporation	-	-	-	-	-	-	-	-	233,261	233,261
Gain (loss) on disposal of capital assets	-	(794)	(3,576)	(17,307)	-	-	-	5,015	-	(16,662)
Other	166,193	24,768	700	6,338	58,074	-	70,058	49,092	60,681	435,904
TOTAL REVENUE	296,071	77,988	64,712	444,623	161,657	-	182,748	76,961	2,156,973	3,461,733
EXPENSES										
Salaries, wages and benefits	373,266	125,912	178,130	55,866	58,819	-	155,778	45,910	-	993,681
Long-term debt charges (interest)	343	8,051	3,466	-	-	-	-	14,238	-	26,098
Materials	62,721	75,792	138,176	81,845	27,177	-	90,303	17,354	-	493,368
Contracted services	84,384	223,662	6,290	326,806	41,563	-	6,685	11,445	-	700,835
Rents and financial expenses	3,037	2,823	-	-	33,107	-	7,372	6,380	-	52,719
External transfers	-	-	-	-	32,540	59,133	-	1,217	-	92,890
Interfunctional adjustments	(21,919)	5,494	(45,576)	48,062	1,347	-	11,108	1,484	-	-
Amortization	18,154	46,265	83,335	172,875	10,228	-	41,146	59,971	-	431,974
TOTAL EXPENSES	519,986	487,999	363,821	685,454	204,781	59,133	312,392	157,999	-	2,791,565
ANNUAL SURPLUS (DEFICIT)	\$ (223,915)	\$ (410,011)	\$ (299,109)	\$ (240,831)	\$ (43,124)	\$ (59,133)	\$ (129,644)	\$ (81,038)	\$ 2,156,973	\$ 670,168

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2021

17. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Unallocated Amounts	Consolidated
REVENUE										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,146,939	\$ 1,146,939
User charges	3,715	7,535	18,652	301,842	-	-	61,217	1,970	-	394,931
Government transfers -										
Canada	6,188	-	-	25,754	-	-	1,365	12,349	-	45,656
Ontario	88,468	16,233	-	39,747	100,194	-	3,830	8,689	763,300	1,020,461
Other municipalities	-	10,740	-	-	-	-	552	-	-	11,292
Change in accumulated surplus of South River Power Generation Corporation	-	-	-	-	-	-	-	-	(36,500)	(36,500)
Gain (loss) on disposal of capital assets	-	14	(15,206)	(14,237)	-	-	-	(2,383)	-	(31,812)
Other	30,420	22,389	6,000	3,695	52,769	-	11,278	47,231	70,228	244,010
TOTAL REVENUE	128,791	56,911	9,446	356,801	152,963	-	78,242	67,856	1,943,967	2,794,977
EXPENSES										
Salaries, wages and benefits	361,081	117,424	179,072	51,520	54,453	-	166,114	41,840	-	971,504
Long-term debt charges (interest)	1,543	9,128	3,858	-	-	-	-	15,136	-	29,665
Materials	58,027	65,740	124,611	57,604	30,080	-	94,566	10,805	-	441,433
Contracted services	147,342	236,527	10,801	349,652	39,940	-	9,740	21,008	-	815,010
Rents and financial expenses	2,674	2,542	662	-	32,580	-	3,123	13,059	-	54,640
External transfers	-	1,005	-	-	32,540	54,551	162	12,822	-	101,080
Interfunctional adjustments	(21,211)	4,877	(24,013)	26,134	68	-	10,910	3,235	-	-
Amortization	18,643	46,361	103,203	172,741	10,279	-	37,668	61,418	-	450,313
TOTAL EXPENSES	568,099	483,604	398,194	657,651	199,940	54,551	322,283	179,323	-	2,863,645
ANNUAL SURPLUS (DEFICIT)	\$ (439,308)	\$ (426,693)	\$ (388,748)	\$ (300,850)	\$ (46,977)	\$ (54,551)	\$ (244,041)	\$ (111,467)	\$ 1,943,967	\$ (68,668)

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2021

18. RELATED PARTY TRANSACTIONS

During the normal course of operations, the Municipality sold administrative services of \$15,840 (2020 \$14,835) and operating and maintenance services of \$17,446 (2020 \$15,096) to South River Power Generation Corporation, a wholly owned government business enterprise. All related party transactions are recorded at the exchange value (the amount of consideration established and agreed to by the related parties) which approximates the arm's length equivalent value.

At the end of the year, \$36,089 (2020 \$33,822) was due to the Municipality by South River Power Generation Corporation related to payables and accruals. This is included in accounts receivable on the Consolidated Statement of Financial Position.

19. BUDGET FIGURES

The budget adopted for the current year was prepared on a modified accrual basis and has been restated to conform with the accounting and reporting standards applicable to the actual results. A reconciliation of the adopted and reported budgets is presented below.

	Budget
ADOPTED BUDGET:	
Decrease in general municipal operating surplus	\$ (245,958)
Decrease in water deficit	17,379
Increase in reserves	287,548
Increase in South River Power Generation surplus	104,550
Decrease in board and joint board general operating surplus	135
ADJUSTMENTS:	
Proceeds from disposal of capital assets	(146,000)
Acquisition of tangible capital assets	510,530
Amortization of tangible capital assets	(432,034)
Decrease in municipal debt	123,297
ANNUAL SURPLUS	\$ 219,447

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2021

20. PENSION AGREEMENTS

The Municipality makes contributions to the Ontario Municipal Employee Retirement Fund (OMERS), which is a multi-employer plan, on behalf of certain members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2021. The results of this valuation disclosed total actuarial liabilities of \$120,796 million with respect to benefits accrued for service with actuarial assets at that date of \$117,665 million indicating an actuarial deficit of \$3,131 million. Because OMERS is a multi-employer plan, any Plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the Plan surplus or deficit.

The amount contributed to OMERS for 2021 was \$56,359 (2020 \$55,251) for current service and is included as an expense on the Consolidated Statement of Operations.

21. IMPACTS OF COVID-19

Since December 31, 2019, the spread of COVID-19 has severely impacted local economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of nonessential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

In 2021 the Municipality received COVID-19 operating funding in the amount of \$46,597 to cover pandemic-related operating pressures and has identified \$114,000 in related incremental costs for the year. These costs include a significant reduction in both the revenues and expenses of the recreational facility, arising from its intermittent closure during the year. This has resulted in a net cost to the Municipality of approximately \$51,000. The costs also include an approximate \$63,000 loss of water revenue through a combination of limiting water rate increases for the year and lower usage as a result of business closures.

The Municipality also recorded COVID-19 Technology Adoption Fund funding in the amount of \$2,728 and incurred related expenses of \$4,040 in 2021.

The Municipality's joint recreational facility recorded \$156,929 of funding under the Investing in Canada Infrastructure Program - COVID-19 Resilience Infrastructure Stream related to expenditures on the renovation of the facility.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Municipality for future periods.