
THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

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

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

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Village of South River as at December 31, 2017, and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

North Bay, Canada
June 11, 2018

Chartered Professional Accountants
Licensed Public Accountants

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

| | 2017 | 2016 |
|---|---------------------|---------------------|
| FINANCIAL ASSETS | | |
| Cash and cash equivalents <i>(Note 4)</i> | \$ 335,630 | \$ 220,581 |
| Taxes receivable <i>(Note 5)</i> | 194,343 | 145,819 |
| Accounts receivable | 143,567 | 212,289 |
| Long-term receivable <i>(Note 6)</i> | 200,000 | 250,000 |
| Investment in South River Power Generation Corporation <i>(Note 7)</i> | 957,697 | 584,644 |
| Inventories held for resale | 1,273 | 1,146 |
| | 1,832,510 | 1,414,479 |
| LIABILITIES | | |
| Temporary borrowing <i>(Note 8)</i> | - | 450,000 |
| Accounts payable and accrued liabilities | 260,569 | 271,834 |
| Accrued interest on long-term debt | 1,296 | 711 |
| Deferred revenue-general <i>(Note 9)</i> | 14,072 | 13,655 |
| Deferred revenue-obligatory reserve funds <i>(Note 10)</i> | 75,313 | 38,113 |
| Municipal debt <i>(Note 11)</i> | 801,342 | 509,856 |
| Tangible capital lease liability <i>(Note 12)</i> | 33,475 | 51,506 |
| Employee benefits payable <i>(Note 13)</i> | 25,400 | 23,838 |
| | 1,211,467 | 1,359,513 |
| NET FINANCIAL ASSETS | 621,043 | 54,966 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets - net <i>(Note 16)</i> | 8,746,823 | 9,039,495 |
| Inventories of supplies | 15,927 | 11,863 |
| Prepaid expenses | 24,117 | 27,311 |
| | 8,786,867 | 9,078,669 |
| ACCUMULATED SURPLUS <i>(Note 17)</i> | \$ 9,407,910 | \$ 9,133,635 |

Contingencies *(see Notes 2, 7 and 15)*

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, 2017

| | Budget 2017 <i>(see Note 20)</i> | Actual 2017 | Actual 2016 |
|--|--|---------------------|---------------------|
| REVENUE | | | |
| Property taxes | \$ 989,663 | \$ 996,354 | \$ 953,111 |
| User charges | 471,074 | 478,712 | 475,481 |
| Government transfers | 814,365 | 736,379 | 1,997,372 |
| Change in accumulated surplus of South River Power Generation Corporation <i>(Note 7)</i> | 168,157 | 373,053 | 122,702 |
| Other | 205,291 | 220,364 | 207,825 |
| TOTAL REVENUE | 2,648,550 | 2,804,862 | 3,756,491 |
| EXPENSES | | | |
| General government | 410,256 | 391,374 | 427,532 |
| Protection to persons and property | 421,955 | 407,615 | 423,025 |
| Transportation services | 413,860 | 412,392 | 383,215 |
| Environmental services | 554,190 | 570,666 | 567,213 |
| Health services | 188,196 | 184,242 | 179,749 |
| Social and family services | 53,248 | 53,248 | 53,361 |
| Recreation and cultural services | 379,160 | 377,754 | 377,928 |
| Planning and development | 138,345 | 133,296 | 97,885 |
| TOTAL EXPENSES | 2,559,210 | 2,530,587 | 2,509,908 |
| ANNUAL SURPLUS <i>(Note 17)</i> | 89,340 | 274,275 | 1,246,583 |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | 9,133,635 | 9,133,635 | 7,887,052 |
| ACCUMULATED SURPLUS, END OF YEAR | \$ 9,222,975 | \$ 9,407,910 | \$ 9,133,635 |

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, 2017

| | Budget 2017 <i>(see Note 20)</i> | Actual 2017 | Actual 2016 |
|--|--|-------------------|------------------|
| Annual surplus | \$ 89,340 | \$ 274,275 | \$ 1,246,583 |
| Acquisition of tangible capital assets | (256,973) | (143,443) | (1,985,688) |
| Contributed tangible capital assets | - | (8,643) | - |
| Amortization of tangible capital assets | 431,037 | 431,247 | 396,373 |
| Loss on disposal of tangible capital assets | - | 12,011 | 20,466 |
| Proceeds from disposal of tangible capital assets | - | 1,500 | 443 |
| Change in supplies inventories | - | (4,064) | 1,461 |
| Change in prepaid expenses | - | 3,194 | (4,146) |
| Increase (decrease) in net financial assets | 263,404 | 566,077 | (324,508) |
| Net financial assets, beginning of year | 54,966 | 54,966 | 379,474 |
| Net financial assets, end of year | \$ 318,370 | \$ 621,043 | \$ 54,966 |

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, 2017

| | 2017 | 2016 |
|--|-------------------|-------------------|
| Operating transactions | | |
| Annual surplus | \$ 274,275 | \$ 1,246,583 |
| Non-cash charges to operations: | | |
| Amortization | 431,247 | 396,373 |
| Loss on disposal of tangible capital assets | 12,011 | 20,466 |
| Change in employee benefits payable | 1,562 | 1,396 |
| | 719,095 | 1,664,818 |
| Changes in non-cash items: | | |
| Taxes receivable | (48,524) | 48,498 |
| Accounts receivable | 68,722 | 176,856 |
| Long-term receivable | 50,000 | 50,000 |
| Inventories held for resale | (127) | (80) |
| Accounts payable and accrued liabilities | (11,265) | (283,864) |
| Accrued interest on long-term debt | 585 | 711 |
| Deferred revenue-general | 417 | (221,157) |
| Deferred revenue-obligatory reserve funds | 37,200 | 8,395 |
| Inventories of supplies | (4,064) | 1,461 |
| Prepaid expenses | 3,194 | (4,146) |
| | 96,138 | (223,326) |
| Cash provided by operating transactions | 815,233 | 1,441,492 |
| Capital transactions | | |
| Acquisition of tangible capital assets | (143,443) | (1,985,688) |
| Contributed tangible capital assets | (8,643) | - |
| Proceeds from disposal of tangible capital assets | 1,500 | 443 |
| Cash applied to capital transactions | (150,586) | (1,985,245) |
| Investing transactions | | |
| Change in investment in South River Power Generation Corporation | (373,053) | (122,702) |
| Cash applied to investing transactions | (373,053) | (122,702) |
| Financing transactions | | |
| Increase (decrease) in temporary borrowing | (450,000) | 167,050 |
| Proceeds from municipal debt | 350,000 | 404,950 |
| Debt principal repayments | (58,514) | (48,766) |
| Tangible capital lease repayments | (18,031) | (18,239) |
| Cash provided by (applied to) financing transactions | (176,545) | 504,995 |
| Net change in cash and cash equivalents | 115,049 | (161,460) |
| Cash and cash equivalents, beginning of year | 220,581 | 382,041 |
| Cash and cash equivalents, end of year | \$ 335,630 | \$ 220,581 |
| Cash flow supplementary information: | | |
| Cash paid for interest | \$ 26,111 | \$ 26,429 |

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, 2017

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, 2017

- (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 - 10 to 50 years
 - Machinery, equipment and furniture - 5 to 20 years
 - Vehicles - 8 to 25 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, 2017

- (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, 2017

(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:

| | 2017 | 2016 |
|--|------------------|------------------|
| District of Parry Sound Social Services Administration Board | \$ 30,266 | \$ 30,872 |
| North Bay Parry Sound District Health Unit | 32,383 | 32,383 |
| District of Parry Sound (East) Home for the Aged | 20,482 | 19,989 |
| | \$ 83,131 | \$ 83,244 |

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, 2017

3. TRANSACTIONS ON BEHALF OF OTHERS

- (a) During the year, \$173,746 of taxation was levied on behalf of school boards (2016 \$179,802).
- (b) Trust funds administered by the Municipality totalling \$168,843 (2016 \$165,593) 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 (2016 \$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 \$68,843 (2016 \$65,593).

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents is comprised of:

| | 2017 | 2016 |
|-------------------|-------------------|-------------------|
| Unrestricted cash | \$ 260,317 | \$ 182,468 |
| Restricted cash | 75,313 | 38,113 |
| | \$ 335,630 | \$ 220,581 |

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

5. TAXES RECEIVABLE

Taxes receivable are comprised of the following:

| | 2017 | 2016 |
|---------------------|-------------------|-------------------|
| Taxes receivable | \$ 224,343 | \$ 185,819 |
| Valuation allowance | (30,000) | (40,000) |
| | \$ 194,343 | \$ 145,819 |

6. 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 is non-interest bearing with no specified terms of payment. \$50,000 was repaid in 2017 (2016 \$50,000).

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2017

7. 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.

| | 2017 | 2016 |
|--|---------------------|---------------------|
| Statement of Financial Position | | |
| Financial assets | \$ 705,181 | \$ 508,598 |
| Liabilities | | |
| Payables and accruals | 86,451 | 54,103 |
| Term loan | 3,365,928 | 3,527,685 |
| Derivative | 158,127 | 307,322 |
| Due to shareholder | 200,000 | 250,000 |
| Future income tax liability | 371,940 | 297,320 |
| | 4,182,446 | 4,436,430 |
| Net debt | (3,477,265) | (3,927,832) |
| Non-financial assets | | |
| Tangible capital assets | 4,424,846 | 4,501,689 |
| Prepaid expenses | 10,116 | 10,787 |
| | 4,434,962 | 4,512,476 |
| Accumulated surplus is comprised of | | |
| Accumulated operating surplus | 1,115,824 | 891,966 |
| Accumulated rereasurement losses | (158,127) | (307,322) |
| | \$ 957,697 | \$ 584,644 |
| Statement of Operations | | |
| Revenue | \$ 722,331 | \$ 485,803 |
| Expenses | 423,853 | 380,656 |
| Future payments in lieu of income taxes | 74,620 | 26,286 |
| Annual surplus | \$ 223,858 | \$ 78,861 |
| Statement of Remeasurement Gains and Losses | | |
| Accumulated rereasurement losses, beginning of year | \$ (307,322) | \$ (351,163) |
| Unrealized gain on fair value of derivative | 149,195 | 43,841 |
| Accumulated rereasurement losses, end of year | \$ (158,127) | \$ (307,322) |
| Total change in surplus | \$ 373,053 | \$ 122,702 |

The South River Power Generation Corporation has a \$3,365,928 (2016 \$3,527,685) term loan with a chartered bank, bearing interest at 4.73% per annum. 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, 2017

8. TEMPORARY BORROWING

The Municipality has a credit facility agreement with the Kawartha Credit Union to provide interim financing for funding capital projects to a maximum of \$800,000. The loan is payable on demand, with interest only, calculated at Credit Union Central prime, payable monthly. In addition, the Municipality has a credit facility agreement with the Toronto-Dominion Bank to cover infrastructure project costs to a maximum of \$800,000. The loan is payable on demand, with interest, calculated at prime plus .75% payable monthly. At the end of the year, NIL (2016 \$450,000) of the facilities were used. As security, the Municipality has pledged its receivables.

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.

In 2014 the Municipality entered into an agreement with Industry Canada under the FedNor Northern Ontario Development Program to obtain funding for the construction of a multi-unit commercial building. The terms of the agreement contain certain transfer stipulations, based on eligible costs, and sets a completion date of December 31, 2015. The maximum funding eligible under this agreement is \$727,875. The project was completed in 2016.

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

| | 2017 | 2016 |
|---|------------------|------------------|
| Balance, beginning of year: | | |
| Rural and Northern Physicians Group Agreement | \$ 10,552 | \$ 12,780 |
| FedNor multi-unit commercial building | - | 221,467 |
| Other | 3,103 | 565 |
| | <u>13,655</u> | <u>234,812</u> |
| Received and receivable during the year: | | |
| Rural and Northern Physicians Group Agreement | 89,358 | 82,114 |
| FedNor multi-unit commercial building | - | 301,835 |
| Other funding | 3,465 | 10,557 |
| | <u>92,823</u> | <u>394,506</u> |
| Recognized in revenue during the year | (92,406) | (615,663) |
| Balance, end of year | \$ 14,072 | \$ 13,655 |
| Rural and Northern Physicians Group Agreement | \$ 11,087 | \$ 10,552 |
| Other deferred revenue | 2,985 | 3,103 |
| Balance, end of year | \$ 14,072 | \$ 13,655 |

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2017

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 and federal gas tax funding under an agreement with the Association of Municipalities of Ontario. 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. Gas tax revenue recognition occurs when the Municipality has approved the expenditures for eligible capital works.

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

| | 2017 | 2016 |
|---------------------------------------|------------------|------------------|
| Balance, beginning of year: | | |
| Recreational land (the Planning Act) | \$ 273 | \$ 2,131 |
| Building Code Act | 4,060 | 12,110 |
| Federal Gas Tax | 33,780 | 15,477 |
| | <u>38,113</u> | <u>29,718</u> |
| Received during the year: | | |
| Federal Gas Tax | 64,915 | 63,786 |
| Interest earned | 750 | 446 |
| | <u>65,665</u> | <u>64,232</u> |
| Recognized in revenue during the year | <u>(28,465)</u> | <u>(55,837)</u> |
| Balance, end of year | \$ 75,313 | \$ 38,113 |
| Recreational land (the Planning Act) | \$ 274 | \$ 273 |
| Building Code Act | 1,544 | 4,060 |
| Federal Gas Tax | 73,495 | 33,780 |
| Balance, end of year | \$ 75,313 | \$ 38,113 |

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2017

11. MUNICIPAL DEBT

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

| | 2017 | 2016 |
|--|-------------------|-------------------|
| Kawartha Credit Union, open term loan amortized over 20 years, repayable in monthly payments of \$1,365 including interest calculated at Credit Union Central prime | \$ 82,266 | \$ 94,991 |
| Daimler Truck Financial, equipment lien note payable, repaid in 2017 | - | 15,788 |
| 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 | 111,989 | 118,710 |
| 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 | 264,636 | 280,367 |
| TD Commercial Banking term loan, due May 2037, repayable in monthly payments of \$1,946 including interest calculated at 3.03% | 342,451 | - |
| | \$ 801,342 | \$ 509,856 |

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

| | Principal | Interest |
|--------------|-------------------|-------------------|
| 2018 | \$ 49,353 | \$ 23,180 |
| 2019 | 50,945 | 21,589 |
| 2020 | 52,563 | 19,970 |
| 2021 | 54,289 | 18,244 |
| 2022 | 56,047 | 16,486 |
| 2023 onwards | 538,145 | 95,767 |
| | \$ 801,342 | \$ 195,236 |

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

| | 2017 | 2016 |
|--------------------|------------------|------------------|
| Principal payments | \$ 58,514 | \$ 48,766 |
| Interest | 20,858 | 9,112 |
| | \$ 79,372 | \$ 57,878 |

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

12. TANGIBLE CAPITAL LEASES

The Municipality leases office and public works equipment. The leases are accounted for on the Consolidated Statement of Financial Position at the present value of future minimum lease payments, with an implicit interest rates ranging from 0.0% to 9.0%. Future minimum lease payments are as follows:

| | 2017 | 2016 |
|---|------------------|------------------|
| 2017 | \$ - | \$ 18,113 |
| 2018 | 16,068 | 16,068 |
| 2019 | 16,068 | 16,068 |
| 2020 | 1,339 | 1,339 |
| Total minimum lease payments | 33,475 | 51,588 |
| Less amount representing interest | - | (82) |
| Present value of future minimum capital lease payments | \$ 33,475 | \$ 51,506 |

Interest of \$82 (2016 \$284) relating to capital lease obligations has been reported on the Consolidated Statement of Operations.

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 \$25,350 (2016 \$23,838) 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 \$50 (2016 NIL) at the end of the year.

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2017

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. The annual price for year one of the agreement is \$164,571, increasing annually thereafter by an inflationary adjustment of a minimum of 1%.

In 2017 the Municipality contracted OCWA to oversee the upgrade of the water treatment plant SCADA system at an estimated cost of \$125,000. To the end of the year, \$5,200 work under this contract was performed. The project is expected to be completed in 2018.

In conjunction with the Township of Machar, in 2017 the Municipality entered into two contracts for the provision of goods and services as follows:

- a) An agreement with the Hockey Opportunity Camp/Eagle Crest Outdoor Centre for the management and operation of a summer day camp program for a four-year term, commencing 2018 at an initial cost of \$31,244, increasing annually thereafter by 3%.
- b) A contract with Carrier Truck Center Inc. for the purchase of a pumper truck at a cost of \$468,443 plus tax. The vehicle was delivered in March 2018.

Each municipality is responsible for 50% of the total contracted amounts.

15. CONTINGENCIES

The Municipality is involved from time to time in litigation, which arises in the normal course of business. With respect to outstanding claims, the Municipality believes that insurance coverage is adequate and that no material exposure exists on the eventual settlement of such litigation in all but one claim. Therefore, no provision has been made in the accompanying financial statements. For one claim, a portion of the claim is not covered by insurance and since the likelihood and extent of loss, if any, is not yet determinable, no provision has been made in the accompanying financial statements.

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2017

16. TANGIBLE CAPITAL ASSETS

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

| 2017 | | | | | | | | |
|------------------------------------|----------------------------|--------------------------------------|-------------------------|-------------------|-------------------|---------------------------|---------------------------|---------------------|
| | 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 | \$ 1,288,314 | \$ 4,205,069 | \$ 1,292,119 | \$ 513,700 | \$ 2,662,561 | \$ 5,687,089 | \$ - | \$ 15,648,852 |
| Additions and betterments | 13,691 | 22,446 | 40,588 | - | - | 61,518 | 5,200 | 143,443 |
| Contributed assets | - | 7,670 | - | 973 | - | - | - | 8,643 |
| Disposals and writedowns | (1,687) | (1,229) | (108,235) | - | - | (11,074) | - | (122,225) |
| BALANCE, END OF YEAR | 1,300,318 | 4,233,956 | 1,224,472 | 514,673 | 2,662,561 | 5,737,533 | 5,200 | 15,678,713 |
| ACCUMULATED AMORTIZATION | | | | | | | | |
| Balance, beginning of year | 306,705 | 823,554 | 584,796 | 162,217 | 1,854,438 | 2,877,647 | - | 6,609,357 |
| Annual amortization | 21,376 | 86,263 | 78,623 | 24,122 | 61,636 | 159,227 | - | 431,247 |
| Amortization disposals | (1,687) | (983) | (99,769) | - | - | (6,275) | - | (108,714) |
| BALANCE, END OF YEAR | 326,394 | 908,834 | 563,650 | 186,339 | 1,916,074 | 3,030,599 | - | 6,931,890 |
| TANGIBLE CAPITAL ASSETS-NET | \$ 973,924 | \$ 3,325,122 | \$ 660,822 | \$ 328,334 | \$ 746,487 | \$ 2,706,934 | \$ 5,200 | \$ 8,746,823 |

| 2016 | | | | | | | | |
|------------------------------------|----------------------------|--------------------------------------|-------------------------|-------------------|-------------------|---------------------------|---------------------------|---------------------|
| | 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 | \$ 1,077,262 | \$ 2,339,754 | \$ 1,120,257 | \$ 365,661 | \$ 2,662,561 | \$ 5,630,998 | \$ 524,792 | \$ 13,721,285 |
| Additions and betterments | 211,343 | 1,347,084 | 191,413 | 148,039 | - | 87,809 | - | 1,985,688 |
| Disposals and writedowns | (291) | (2,794) | (22,286) | - | - | (31,718) | (1,032) | (58,121) |
| Transfer between classes | - | 521,025 | 2,735 | - | - | - | (523,760) | - |
| BALANCE, END OF YEAR | 1,288,314 | 4,205,069 | 1,292,119 | 513,700 | 2,662,561 | 5,687,089 | - | 15,648,852 |
| ACCUMULATED AMORTIZATION | | | | | | | | |
| Balance, beginning of year | 291,243 | 757,699 | 530,048 | 141,540 | 1,792,803 | 2,736,863 | - | 6,250,196 |
| Annual amortization | 15,753 | 67,308 | 73,300 | 20,677 | 61,635 | 157,700 | - | 396,373 |
| Amortization disposals | (291) | (1,453) | (18,552) | - | - | (16,916) | - | (37,212) |
| BALANCE, END OF YEAR | 306,705 | 823,554 | 584,796 | 162,217 | 1,854,438 | 2,877,647 | - | 6,609,357 |
| TANGIBLE CAPITAL ASSETS-NET | \$ 981,609 | \$ 3,381,515 | \$ 707,323 | \$ 351,483 | \$ 808,123 | \$ 2,809,442 | \$ - | \$ 9,039,495 |

Included in tangible capital assets are leased tangible capital assets with a cost of \$88,710 (2016 \$98,274) and accumulated amortization of \$14,785 (2016 \$16,986).

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

17. ACCUMULATED SURPLUS

The 2017 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 | \$ 305,451 | \$ 21,077 | \$ 326,528 |
| Sick leave | 7,566 | - | 7,566 |
| Election | - | 3,000 | 3,000 |
| Fire | 4,881 | 11,901 | 16,782 |
| Roads | 53,978 | 12,729 | 66,707 |
| Train Station | 2,845 | - | 2,845 |
| Cemetery | 5,500 | 2,500 | 8,000 |
| Medical Centre | 47,715 | 12,319 | 60,034 |
| Ambulance | 20,484 | 1,944 | 22,428 |
| Recreation programs | 198 | (198) | - |
| Arena | 2,662 | - | 2,662 |
| Library | 2,990 | - | 2,990 |
| | 454,270 | 65,272 | 519,542 |
| OTHER | | | |
| Consolidated tangible capital assets | 9,039,495 | (292,672) | 8,746,823 |
| General operating surplus (deficit) - | | | |
| Municipality | (371,501) | 394,150 | 22,649 |
| Water | (36,877) | (519) | (37,396) |
| Medical Centre | 28,005 | (2,034) | 25,971 |
| Helipad | 5,592 | 1,702 | 7,294 |
| Cemetery | 14,553 | 1,812 | 16,365 |
| Library | (869) | 5,821 | 4,952 |
| Central Almaguin Economic Development Association | 1,523 | 2,707 | 4,230 |
| Accumulated surplus of South River Power Generation Corporation | 584,644 | 373,053 | 957,697 |
| Unfunded liabilities - | | | |
| Municipal debt | (509,856) | (291,486) | (801,342) |
| Tangible capital lease | (51,506) | 18,031 | (33,475) |
| Employee benefits | (23,838) | (1,562) | (25,400) |
| | \$ 9,133,635 | \$ 274,275 | \$ 9,407,910 |

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2017

18. 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 the municipality's annual Ontario Municipal Partnership Fund unconditional 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, 2017

18. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2017

| | 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 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 996,354 | \$ 996,354 |
| User charges | 2,940 | 6,908 | 21,926 | 293,393 | 1,000 | - | 150,787 | 1,758 | - | 478,712 |
| Government transfers - | | | | | | | | | | |
| Canada | - | 15 | 1,631 | 25,949 | - | - | 673 | 1,260 | - | 29,528 |
| Ontario | - | 10,757 | - | 50,000 | 92,323 | - | 6,722 | - | 527,200 | 687,002 |
| Other municipalities | - | 19,003 | - | - | - | - | - | 846 | - | 19,849 |
| Change in accumulated surplus of South River Power Generation Corporation | - | - | - | - | - | - | - | - | 373,053 | 373,053 |
| Loss on disposal of capital assets | - | - | - | (4,799) | - | - | (246) | (6,966) | - | (12,011) |
| Other | 40,882 | 12,105 | 150 | 6,567 | 42,652 | - | 33,390 | 45,330 | 51,299 | 232,375 |
| TOTAL REVENUE | 43,822 | 48,788 | 23,707 | 371,110 | 135,975 | - | 191,326 | 42,228 | 1,947,906 | 2,804,862 |
| EXPENSES | | | | | | | | | | |
| Salaries, wages and benefits | 284,234 | 90,132 | 189,060 | 35,060 | 49,454 | - | 168,541 | 22,515 | - | 838,996 |
| Long-term debt charges (interest) | 3,741 | 3,284 | 196 | - | - | - | - | 13,719 | - | 20,940 |
| Materials | 42,243 | 46,507 | 115,106 | 62,848 | 22,220 | - | 139,834 | 12,210 | - | 440,968 |
| Contracted services | 60,034 | 228,851 | 9,456 | 295,366 | 38,578 | - | 17,241 | 10,015 | - | 659,541 |
| Rents and financial expenses | 2,009 | 2,514 | 300 | - | 30,586 | - | 4,354 | 5,823 | - | 45,586 |
| External transfers | - | 2,508 | - | - | 32,383 | 53,248 | - | 5,170 | - | 93,309 |
| Interfunctional adjustments | (20,698) | 4,597 | (12,473) | 15,812 | 787 | - | 9,962 | 2,013 | - | - |
| Amortization | 19,811 | 29,222 | 110,747 | 161,580 | 10,234 | - | 37,822 | 61,831 | - | 431,247 |
| TOTAL EXPENSES | 391,374 | 407,615 | 412,392 | 570,666 | 184,242 | 53,248 | 377,754 | 133,296 | - | 2,530,587 |
| ANNUAL SURPLUS (DEFICIT) | \$ (347,552) | \$ (358,827) | \$ (388,685) | \$ (199,556) | \$ (48,267) | \$ (53,248) | \$ (186,428) | \$ (91,068) | \$ 1,947,906 | \$ 274,275 |

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

18. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2016

| | 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 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 953,111 | \$ 953,111 |
| User charges | 3,039 | 9,871 | 17,641 | 293,378 | 628 | - | 150,924 | - | - | 475,481 |
| Government transfers - | | | | | | | | | | |
| Canada | - | - | 1,486 | 45,912 | - | - | 988 | 530,756 | 2,077 | 581,219 |
| Ontario | - | 8,797 | - | 25,000 | 87,842 | - | 4,635 | 765,515 | 508,000 | 1,399,789 |
| Other municipalities | - | 16,088 | - | - | - | - | 276 | - | - | 16,364 |
| Change in accumulated surplus of South River Power Generation Corporation | - | - | - | - | - | - | - | - | 122,702 | 122,702 |
| Loss on disposal of capital assets | - | (3,291) | - | (15,834) | (1,341) | - | - | - | - | (20,466) |
| Other | 42,031 | 29,998 | - | 5,634 | 41,486 | - | 22,715 | 27,102 | 59,325 | 228,291 |
| TOTAL REVENUE | 45,070 | 61,463 | 19,127 | 354,090 | 128,615 | - | 179,538 | 1,323,373 | 1,645,215 | 3,756,491 |
| EXPENSES | | | | | | | | | | |
| Salaries, wages and benefits | 277,260 | 96,898 | 178,484 | 39,097 | 47,838 | - | 156,803 | 26,129 | - | 822,509 |
| Long-term debt charges (interest) | 4,363 | 2,444 | 1,380 | - | - | - | - | 1,209 | - | 9,396 |
| Materials | 78,351 | 65,431 | 99,886 | 71,080 | 22,850 | - | 146,720 | 7,082 | - | 491,400 |
| Contracted services | 65,878 | 227,119 | 10,051 | 276,923 | 35,705 | - | 19,811 | 5,883 | - | 641,370 |
| Rents and financial expenses | 1,290 | 2,572 | 300 | - | 29,978 | - | 6,537 | 17,992 | - | 58,669 |
| External transfers | - | - | - | - | 32,383 | 53,361 | - | 4,447 | - | 90,191 |
| Interfunctional adjustments | (19,711) | 4,309 | (17,077) | 20,261 | 858 | - | 10,958 | 402 | - | - |
| Amortization | 20,101 | 24,252 | 110,191 | 159,852 | 10,137 | - | 37,099 | 34,741 | - | 396,373 |
| TOTAL EXPENSES | 427,532 | 423,025 | 383,215 | 567,213 | 179,749 | 53,361 | 377,928 | 97,885 | - | 2,509,908 |
| ANNUAL SURPLUS (DEFICIT) | \$ (382,462) | \$ (361,562) | \$ (364,088) | \$ (213,123) | \$ (51,134) | \$ (53,361) | \$ (198,390) | \$ 1,225,488 | \$ 1,645,215 | \$ 1,246,583 |

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2017

19. RELATED PARTY TRANSACTIONS

During the normal course of operations, the Municipality sold administrative services of \$14,380 (2016 \$14,255) and operating and maintenance services of \$18,087 (2016 \$14,765) 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, \$36,574 (2016 \$32,792) 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.

20. 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: | |
| Increase in general municipal operating surplus | \$ 371,501 |
| Decrease in water deficit | 36,877 |
| Decrease in municipal reserves and reserve funds | (43,125) |
| Increase in South River Power Generation surplus | 168,157 |
| Increase in board and joint board general operating surplus and reserves | 913 |
| ADJUSTMENTS: | |
| Acquisition of tangible capital assets | 256,973 |
| Amortization of tangible capital assets | (431,037) |
| Increase in municipal debt | (270,919) |
| ANNUAL SURPLUS | \$ 89,340 |

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

21. 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, 2017. The results of this valuation disclosed total actuarial liabilities of \$94,431 million with respect to benefits accrued for service with actuarial assets at that date of \$89,028 million indicating an actuarial deficit of \$5,403 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 2017 was \$50,205 (2016 \$46,848) for current service and is included as an expense on the Consolidated Statement of Operations.

22. COMPARATIVE FIGURES

Certain prior year figures presented for comparative purposes have been restated to conform with the presentation adopted for the current year.