
THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

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, 2020, 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, 2020, and its results of operations, its changes in its net financial assets, 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
June 28, 2021

Chartered Professional Accountants
Licensed Public Accountants

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash and cash equivalents (Note 4)	\$ 1,415,005	\$ 1,130,816
Taxes receivable (Note 5)	304,301	300,287
Accounts receivable	246,012	174,678
Long-term receivable (Note 6)	50,000	100,000
Investment in South River Power Generation Corporation (Note 7)	1,147,833	1,184,333
Inventories held for resale	7,359	1,304
	3,170,510	2,891,418
LIABILITIES		
Accounts payable and accrued liabilities	399,548	378,641
Accrued interest on long-term debt	1,411	1,521
Deferred revenue-general (Note 8)	36,092	31,597
Deferred revenue-obligatory reserve funds (Note 9)	278,142	218,657
Municipal debt (Note 10)	976,598	1,071,289
Tangible capital lease liability (Note 11)	101,525	1,339
Employee benefits payable (Note 12)	26,887	26,730
	1,820,203	1,729,774
NET FINANCIAL ASSETS	1,350,307	1,161,644
NON-FINANCIAL ASSETS		
Tangible capital assets - net (Note 14)	8,386,642	8,651,288
Inventories of supplies	17,980	15,648
Prepaid expenses	41,621	36,638
	8,446,243	8,703,574
ACCUMULATED SURPLUS (Note 15)	\$ 9,796,550	\$ 9,865,218

Contingencies (see Notes 2 and 7)
Contractual Obligations (see Note 13)

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, 2020

	Budget 2020 <i>(see Note 19)</i>	Actual 2020	Actual 2019
REVENUE			
Property taxes	\$ 1,130,201	\$ 1,146,939	\$ 1,096,913
User charges	401,816	394,931	496,789
Government transfers	924,879	1,077,409	1,082,047
Change in accumulated surplus of South River Power Generation Corporation <i>(Note 7)</i>	125,307	(36,500)	75,077
Restructuring net revenue <i>(Note 17)</i>	-	-	2,933
Other	221,911	212,198	331,955
TOTAL REVENUE	2,804,114	2,794,977	3,085,714
EXPENSES			
General government	629,959	568,099	568,836
Protection to persons and property	496,553	483,604	456,779
Transportation services	491,014	398,194	412,479
Environmental services	615,514	657,651	614,558
Health services	205,090	199,940	193,412
Social and family services	54,550	54,551	54,163
Recreation and cultural services	324,751	322,283	393,890
Planning and development	152,077	179,323	137,949
TOTAL EXPENSES	2,969,508	2,863,645	2,832,066
ANNUAL SURPLUS (DEFICIT) <i>(Note 15)</i>	(165,394)	(68,668)	253,648
ACCUMULATED SURPLUS, BEGINNING OF YEAR	9,865,218	9,865,218	9,611,570
ACCUMULATED SURPLUS, END OF YEAR	\$ 9,699,824	\$ 9,796,550	\$ 9,865,218

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, 2020

	Budget 2020 <i>(see Note 19)</i>	Actual 2020	Actual 2019
Annual surplus (deficit)	\$ (165,394)	\$ (68,668)	\$ 253,648
Acquisition of tangible capital assets	(177,727)	(297,817)	(478,011)
Contributed tangible capital assets - net	-	-	(7,975)
Amortization of tangible capital assets	450,258	450,313	459,882
Loss on disposal of tangible capital assets	-	31,812	14,819
Proceeds from disposal of tangible capital assets	19,970	80,338	8,688
Change in supplies inventories	-	(2,332)	(5,098)
Change in prepaid expenses	-	(4,983)	(9,816)
Increase in net financial assets	127,107	188,663	236,137
Net financial assets, beginning of year	1,161,644	1,161,644	925,507
Net financial assets, end of year	\$ 1,288,751	\$ 1,350,307	\$ 1,161,644

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, 2020

	2020	2019
Operating transactions		
Annual surplus (deficit)	\$ (68,668)	\$ 253,648
Non-cash charges to operations:		
Amortization	450,313	459,882
Contributed tangible capital assets - net	-	(7,975)
Loss on disposal of tangible capital assets	31,812	14,819
Change in employee benefits payable	157	(1,200)
	413,614	719,174
Changes in non-cash items:		
Taxes receivable	(4,014)	(58,811)
Accounts receivable	(71,334)	(40,742)
Long-term receivable	50,000	50,000
Inventories held for resale	(6,055)	61,680
Accounts payable and accrued liabilities	20,907	97,369
Accrued interest on long-term debt	(110)	(105)
Deferred revenue-general	4,495	11,065
Deferred revenue-obligatory reserve funds	59,485	124,722
Inventories of supplies	(2,332)	(5,098)
Prepaid expenses	(4,983)	(9,816)
	46,059	230,264
Cash provided by operating transactions	459,673	949,438
Capital transactions		
Acquisition of tangible capital assets	(191,780)	(478,011)
Proceeds from disposal of tangible capital assets	80,338	8,688
Cash applied to capital transactions	(111,442)	(469,323)
Investing transactions		
Change in investment in South River Power Generation Corporation	36,500	(75,077)
Cash provided by (applied to) investing transactions	36,500	(75,077)
Financing transactions		
Proceeds from municipal debt	-	180,736
Debt principal repayments	(94,691)	(80,404)
Tangible capital lease repayments	(5,851)	(16,068)
Cash provided by (applied to) financing transactions	(100,542)	84,264
Net change in cash and cash equivalents	284,189	489,302
Cash and cash equivalents, beginning of year	1,130,816	641,514
Cash and cash equivalents, end of year	\$ 1,415,005	\$ 1,130,816
Cash flow supplementary information:		
Cash paid for interest	\$ 29,775	\$ 30,155
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, 2020

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, 2020

- (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, 2020

- (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, 2020

(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:

	2020	2019
District of Parry Sound Social Services Administration Board	\$ 30,023	\$ 30,461
North Bay Parry Sound District Health Unit	32,040	33,187
District of Parry Sound (East) Home for the Aged	22,028	21,202
	\$ 84,091	\$ 84,850

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, 2020

3. TRANSACTIONS ON BEHALF OF OTHERS

- (a) During the year, \$177,208 of taxation was levied on behalf of school boards (2019 \$176,869).
- (b) Trust funds administered by the Municipality totalling \$174,343 (2019 \$172,893) 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 (2019 \$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 \$74,343 (2019 \$72,893).

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents is comprised of:

	2020	2019
Unrestricted cash	\$ 1,136,863	\$ 912,159
Restricted cash	278,142	218,657
	\$ 1,415,005	\$ 1,130,816

Federal and Provincial legislation restricts how restricted cash related to obligatory reserve funds, reported in Note 9, may be used.

5. TAXES RECEIVABLE

Taxes receivable are comprised of taxes receivable of \$304,301 (2019 \$300,287) and valuation allowances of NIL (2019 NIL).

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 repayment. To the end of the year, \$400,000 of this loan has been repaid (2019 \$350,000).

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

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.

	2020	2019
Statement of Financial Position		
Financial assets	\$ 702,205	\$ 691,423
Liabilities		
Payables and accruals	98,374	73,059
Term loan	2,832,210	3,018,577
Derivative	289,122	152,035
Due to shareholder	50,000	100,000
Future income tax liability	478,983	445,454
	<u>3,748,689</u>	<u>3,789,125</u>
Net debt	(3,046,484)	(3,097,702)
Non-financial assets		
Tangible capital assets	4,194,317	4,271,160
Prepaid expenses	-	10,875
	<u>4,194,317</u>	<u>4,282,035</u>
Accumulated surplus is comprised of		
Accumulated operating surplus	1,436,955	1,336,368
Accumulated rereasurement losses	(289,122)	(152,035)
	\$ 1,147,833	\$ 1,184,333
Statement of Operations		
Revenue	\$ 585,803	\$ 568,712
Expenses	451,687	439,994
Future payments in lieu of income taxes	33,529	32,179
Annual surplus	\$ 100,587	\$ 96,539
Statement of Remeasurement Gains and Losses		
Accumulated rereasurement losses, beginning of year	\$ (152,035)	\$ (130,573)
Unrealized gain loss on fair value of derivative	(137,087)	(21,462)
Accumulated rereasurement losses, end of year	\$ (289,122)	\$ (152,035)
Total change in surplus	\$ (36,500)	\$ 75,077

The South River Power Generation Corporation has a \$2,832,210 (2019 \$3,018,577) 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, 2020

8. 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:

	2020	2019
Balance, beginning of year:		
Rural and Northern Physicians Group Agreement	\$ 16,497	\$ 13,349
Cannabis Legalization Implementation Fund	15,000	-
Other	100	7,183
	<u>31,597</u>	<u>20,532</u>
Received and receivable during the year:		
Rural and Northern Physicians Group Agreement	102,827	93,806
Cannabis Legalization Implementation Fund	-	15,000
Other funding	262	4,302
	<u>103,089</u>	<u>113,108</u>
Recognized in revenue during the year	<u>(98,594)</u>	<u>(102,043)</u>
Balance, end of year	\$ 36,092	\$ 31,597
Rural and Northern Physicians Group Agreement	\$ 21,830	\$ 16,497
Cannabis Legalization Implementation Fund	14,000	15,000
Other deferred revenue	262	100
Balance, end of year	\$ 36,092	\$ 31,597

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

9. 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, federal gas tax and provincial Main Street revitalization funding under agreements 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. Gas tax, Main Street revitalization 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:

	2020	2019
Balance, beginning of year:		
Recreational land (the Planning Act)	\$ 311	\$ 302
Building Code Act	16,611	3,124
Federal Gas Tax	201,735	68,129
Main Street Revitalization	-	22,380
	<u>218,657</u>	<u>93,935</u>
Received during the year:		
Building Code Act	2,199	13,487
Federal Gas Tax	67,589	135,657
Ontario Community Infrastructure Fund	50,000	50,000
Interest earned	5,198	4,615
	<u>124,986</u>	<u>203,759</u>
Recognized in revenue during the year	<u>(65,501)</u>	<u>(79,037)</u>
Balance, end of year	\$ 278,142	\$ 218,657
Recreational land (the Planning Act)	\$ 317	\$ 311
Building Code Act	18,810	16,611
Federal Gas Tax	248,225	201,735
Ontario Community Infrastructure Fund	10,790	-
Balance, end of year	\$ 278,142	\$ 218,657

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

10. MUNICIPAL DEBT

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

	2020	2019
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	\$ 40,009	\$ 54,850
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	90,650	97,964
TD Commercial Banking term loan, due February 2028, repayable in monthly payments of \$4,601 including interest calculated at 2.99%	176,014	197,984
TD Commercial Banking term loan, due November 2024, repayable in monthly payments of \$1,257 including interest calculated at 2.66%	28,022	34,719
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	214,945	231,936
TD Commercial Banking term loan, due May 2037, repayable in monthly payments of \$1,946 including interest calculated at 3.03%	301,780	315,732
TD Commercial Banking term loan, due May 2029, repayable in monthly payments of \$1,399 including interest calculated at 2.91%	125,178	138,104
	\$ 976,598	\$ 1,071,289

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

	Principal	Interest
2021	\$ 97,624	\$ 26,840
2022	100,461	24,003
2023	95,761	21,126
2024	88,886	18,568
2025	84,486	16,053
2026 onwards	509,380	60,193
	\$ 976,598	\$ 166,783

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

10. MUNICIPAL DEBT (continued)

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

	2020		2019	
Principal payments	\$	94,691	\$	80,404
Interest		29,665		30,050
	\$	124,356	\$	110,454

11. 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:

	2020		2019	
2020	\$	-	\$	1,339
2021		27,073		-
2022		27,073		-
2023		27,073		-
2024		20,306		-
Total minimum lease payments		101,525		1,339
Less amount representing interest		-		-
Present value of future minimum capital lease payments	\$	101,525	\$	1,339

12. 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 \$25,456 (2019 \$26,359) 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 \$1,431 (2019 \$371) at the end of the year.

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

13. 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 I of the agreement. The annual CPI adjustment or 1.0% shall be added to the \$206,207 on a cumulative basis.

In conjunction with the Township of Machar, in 2017 the municipality entered into 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%. Each municipality is responsible for 50% of the total contracted amount. The program did not operate in 2020 as a result of the COVID-19 pandemic.

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2020

14. TANGIBLE CAPITAL ASSETS

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

2020							
	Land and Land Improvements	Buildings and Leasehold Improvements	Machinery and Equipment	Vehicles	Roads and Bridges	Water Plants and Networks	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

2019							
	Land and Land Improvements	Buildings and Leasehold Improvements	Machinery and Equipment	Vehicles	Roads and Bridges	Water Plants and Networks	TOTAL
COST							
Balance, beginning of year	\$ 1,257,086	\$ 4,241,589	\$ 1,239,177	\$ 669,973	\$ 2,662,561	\$ 5,835,680	\$ 15,906,066
Additions and betterments	13,561	5,982	189,077	45,419	-	223,972	478,011
Contributed assets	3,145	-	5,042	-	-	-	8,187
Disposals and writedowns	-	(731)	(76,001)	(7,976)	-	(20,576)	(105,284)
BALANCE, END OF YEAR	1,273,792	4,246,840	1,357,295	707,416	2,662,561	6,039,076	16,286,980
ACCUMULATED AMORTIZATION							
Balance, beginning of year	339,354	991,411	625,646	135,444	1,977,710	3,187,810	7,257,375
Annual amortization	23,483	86,922	85,026	37,282	61,636	165,533	459,882
Accumulated amortization - contributed assets	212	-	-	-	-	-	212
Amortization disposals	-	(614)	(71,082)	(4,187)	-	(5,894)	(81,777)
BALANCE, END OF YEAR	363,049	1,077,719	639,590	168,539	2,039,346	3,347,449	7,635,692
TANGIBLE CAPITAL ASSETS-NET	\$ 910,743	\$ 3,169,121	\$ 717,705	\$ 538,877	\$ 623,215	\$ 2,691,627	\$ 8,651,288

Included in tangible capital assets are leased tangible capital assets with a cost of \$151,169 (2019 \$88,710) and accumulated amortization of \$5,039 (2019 \$26,613).

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2020

15. ACCUMULATED SURPLUS

The 2020 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	\$ 740,928	\$ 56,925	\$ 797,853
Sick leave	7,566	-	7,566
Election	-	1,500	1,500
Fire	35,416	25,221	60,637
Roads	71,767	6,871	78,638
Train Station	2,845	-	2,845
Cemetery	8,500	-	8,500
Medical Centre	78,049	10,689	88,738
Ambulance	28,285	1,181	29,466
Arena	2,662	(162)	2,500
Library	1,500	-	1,500
	977,518	102,225	1,079,743
OTHER			
Consolidated tangible capital assets	8,651,288	(264,646)	8,386,642
General operating surplus (deficit) -			
Municipality	100,785	145,173	245,958
Water	(13,155)	(4,224)	(17,379)
Medical Centre	32,605	(12,498)	20,107
Helipad	7,886	1,847	9,733
Cemetery	21,067	3,150	24,217
Library	2,249	1,260	3,509
Almaguin Community Economic Development	-	1,197	1,197
Accumulated surplus of South River Power Generation Corporation	1,184,333	(36,500)	1,147,833
Unfunded liabilities -			
Municipal debt	(1,071,289)	94,691	(976,598)
Tangible capital lease	(1,339)	(100,186)	(101,525)
Employee benefits	(26,730)	(157)	(26,887)
	\$ 9,865,218	\$ (68,668)	\$ 9,796,550

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

16. 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, 2020

16. 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, 2020

16. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2019

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,096,913	\$ 1,096,913
User charges	3,869	6,263	21,005	315,164	-	-	148,249	2,239	-	496,789
Government transfers -										
Canada	-	-	-	5,746	-	-	1,365	8,789	-	15,900
Ontario	-	11,563	6,614	50,542	93,378	-	20,072	1,129	868,100	1,051,398
Other municipalities	-	14,473	-	-	-	-	276	-	-	14,749
Change in accumulated surplus of South River Power Generation Corporation	-	-	-	-	-	-	-	-	75,077	75,077
Gain (loss) on disposal of capital assets	-	(3,789)	(4,769)	(6,295)	-	-	34	-	-	(14,819)
Restructuring net revenue	-	-	-	-	-	-	-	2,933	-	2,933
Other	38,118	19,947	925	7,190	49,589	-	25,457	48,009	157,539	346,774
TOTAL REVENUE	41,987	48,457	23,775	372,347	142,967	-	195,453	63,099	2,197,629	3,085,714
EXPENSES										
Salaries, wages and benefits	377,778	105,786	182,910	44,688	51,168	-	183,385	28,337	-	974,052
Long-term debt charges (interest)	2,467	9,198	2,428	-	-	-	-	15,957	-	30,050
Materials	120,761	61,302	110,588	69,167	25,148	-	136,315	19,545	-	542,826
Contracted services	67,622	230,267	11,347	312,237	40,507	-	22,878	10,928	-	695,786
Rents and financial expenses	2,239	2,646	300	-	31,822	-	3,251	300	-	40,558
External transfers	-	-	-	-	33,687	54,163	-	1,062	-	88,912
Interfunctional adjustments	(21,467)	3,313	(12,037)	18,780	765	-	9,985	661	-	-
Amortization	19,436	44,267	116,943	169,686	10,315	-	38,076	61,159	-	459,882
TOTAL EXPENSES	568,836	456,779	412,479	614,558	193,412	54,163	393,890	137,949	-	2,832,066
ANNUAL SURPLUS (DEFICIT)	\$ (526,849)	\$ (408,322)	\$ (388,704)	\$ (242,211)	\$ (50,445)	\$ (54,163)	\$ (198,437)	\$ (74,850)	\$ 2,197,629	\$ 253,648

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

17. RESTRUCTURING NET REVENUE

In 2019 the Municipality entered into a joint services agreement for Almaguin Community Economic Development ("ACED"). The agreement took effect in October 2019, and includes the following independent organizations:

- The Corporation of the Township of Perry;
- The Municipal Corporation of the Township of Armour;
- The Corporation of the Township of Ryerson;
- The Corporation of the Village of Sundridge;
- The Almaguin Highlands Chamber of Commerce;
- The Corporation of the Municipality of Magnetawan;
- The Corporation of the Municipality of the Village of Burk's Falls;
- The Corporation of the Township of Strong;
- The Corporation of the Village of South River;
- The Corporation of the Municipality of Powassan;
- The Corporation of the Township of Joly.

ACED assumed the operating responsibilities of the Central Almaguin Economic Development Association and of the Burk's Falls and Area Community Economic Development. In addition, the tangible capital assets of the Burk's Falls and Area Community Economic Development were transferred to ACED at no cost.

In 2019 the Municipality recorded net revenue of \$2,933 as a result of this restructuring. The value of the tangible assets received is recorded as a contributed asset in Note 14.

18. RELATED PARTY TRANSACTIONS

During the normal course of operations, the Municipality sold administrative services of \$14,835 (2019 \$14,705) and operating and maintenance services of \$15,096 (2019 \$17,448) 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, \$33,822 (2019 \$36,163) 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.

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

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	\$ (100,785)
Decrease in water deficit	13,155
Increase in reserves	42,033
Increase in South River Power Generation surplus	125,307
Decrease in board and joint board general operating surplus	(970)
ADJUSTMENTS:	
Proceeds from disposal of capital assets	(19,970)
Acquisition of tangible capital assets	177,727
Amortization of tangible capital assets	(450,258)
Decrease in municipal debt	48,367
ANNUAL DEFICIT	\$ (165,394)

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, 2020. The results of this valuation disclosed total actuarial liabilities of \$113,055 million with respect to benefits accrued for service with actuarial assets at that date of \$109,844 million indicating an actuarial deficit of \$3,211 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 2020 was \$55,251 (2019 \$56,531) for current service and is included as an expense on the Consolidated Statement of Operations.

THE CORPORATION OF THE VILLAGE OF SOUTH RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

21. IMPACTS OF COVID-19

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being 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 and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Municipality has received Safe Restart funding in the amount of \$151,200 to cover pandemic-related costs and has identified \$152,427 in related incremental costs in 2020. These costs include a significant reduction in both the revenues and expenses of the recreational facility of approximately \$84,000 and \$60,000 respectively arising from the intermittent closure of the facility during the year. The costs also include approximately \$65,000 related to employee wages and benefits devoted to COVID-19 related work, as well as approximately \$47,000 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 received COVID-19 Technology Adoption Fund funding in the amount of \$6,188 and incurred related expenses of \$8,396 in 2020.

While governments and central banks have reacted with monetary and fiscal interventions designed to stabilize economic conditions, 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.

22. COMPARATIVE FIGURES

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