
**THE CORPORATION OF
THE VILLAGE OF SUNDRIDGE**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE
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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 Sundridge

We have audited the accompanying consolidated financial statements of The Corporation of the Village of Sundridge 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 Sundridge 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.



North Bay, Canada
September 26, 2018

Chartered Professional Accountants
Licensed Public Accountants

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

	2017	2016
FINANCIAL ASSETS		
Cash and cash equivalents <i>(Note 4)</i>	\$ 2,408,751	\$ 2,081,052
Taxes receivable	342,499	409,537
Accounts receivable	335,717	139,487
Investment in Lakeland Holding Ltd. <i>(Note 5)</i>	1,823,064	1,687,574
	4,910,031	4,317,650
LIABILITIES		
Accounts payable and accrued liabilities	697,541	516,926
Deferred revenue-general <i>(Note 6)</i>	3,438	7,340
Deferred revenue-obligatory reserve funds <i>(Note 7)</i>	1,468	33,699
Municipal debt <i>(Note 8)</i>	1,956,558	1,878,304
Tangible capital leases <i>(Note 9)</i>	1,354	1,635
Employee benefits payable <i>(Note 10)</i>	20,312	45,573
	2,680,671	2,483,477
NET FINANCIAL ASSETS	2,229,360	1,834,173
NON-FINANCIAL ASSETS		
Tangible capital assets - net <i>(Note 12)</i>	12,134,106	11,768,398
Inventories of supplies	9,080	7,431
Prepaid expenses	2,877	4,467
	12,146,063	11,780,296
ACCUMULATED SURPLUS <i>(Note 13)</i>	\$ 14,375,423	\$ 13,614,469

Contingencies *(Notes 2 and 11)*

APPROVED ON BEHALF OF COUNCIL:

_____ Mayor

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget 2017 <i>(see Note 16)</i>	Actual 2017	Actual 2016
REVENUE			
Property taxes	\$ 1,943,402	\$ 1,989,342	\$ 1,937,371
User charges	43,988	38,426	31,588
Government transfers	892,085	895,721	623,019
Lakeland Holding Ltd. - share of income, net of dividends <i>(Note 5)</i>	-	174,775	97,563
Lakeland Holding Ltd. - loss on redistribution of shares <i>(Note 5)</i>	-	(40,570)	-
Other	272,849	282,576	243,812
TOTAL REVENUE	3,152,324	3,340,270	2,933,353
EXPENSES			
General government	590,126	514,752	599,706
Protection to persons and property	363,924	404,697	360,160
Transportation services	578,708	517,239	546,550
Environmental services	544,078	555,419	620,622
Health services	259,212	222,844	227,803
Social and family services	82,755	82,755	83,640
Recreation and cultural services	286,073	265,673	310,430
Planning and development	47,295	17,222	25,537
TOTAL EXPENSES	2,752,171	2,580,601	2,774,448
ANNUAL SURPLUS	\$ 400,153	\$ 759,669	\$ 158,905

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE
CONSOLIDATED STATEMENT OF ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget 2017 <i>(see Note 16)</i>	Actual 2017	Actual 2016
Accumulated surplus, beginning of year	\$ 13,614,469	\$ 13,614,469	\$ 13,449,828
Annual surplus	400,153	759,669	158,905
Lakeland Holding Ltd. - gain on redistribution of shares relating to other comprehensive loss <i>(Note 5)</i>	-	68	-
Lakeland Holding Ltd. - share of change in other comprehensive income <i>(Note 5)</i>	-	1,217	5,736
ACCUMULATED SURPLUS, END OF YEAR	\$ 14,014,622	\$ 14,375,423	\$ 13,614,469

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget 2017 <i>(see Note 16)</i>	Actual 2017	Actual 2016
Annual surplus	\$ 400,153	\$ 759,669	\$ 158,905
Lakeland Holding Ltd. – gain on redistribution of shares relating to other comprehensive loss	-	68	-
Lakeland Holding Ltd. - share of change in other comprehensive income	-	1,217	5,736
Acquisition of tangible capital assets	(1,574,345)	(742,990)	(262,076)
Contributed tangible capital assets	-	-	(6,220)
Amortization of tangible capital assets	377,200	377,282	408,795
(Gain) loss on disposal of tangible capital assets	-	(2,736)	21,140
Proceeds from disposal of tangible capital assets	-	2,736	149
Change in supplies inventories	-	(1,649)	(721)
Change in prepaid expenses	-	1,590	17,253
Increase (decrease) in net financial assets	(796,992)	395,187	342,961
Net financial assets, beginning of year	1,834,173	1,834,173	1,491,212
Net financial assets, end of year	\$ 1,037,181	\$ 2,229,360	\$ 1,834,173

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
Operating transactions		
Annual surplus	\$ 759,669	\$ 158,905
Non-cash charges to operations:		
Amortization	377,282	408,795
(Gain) loss on disposal of tangible capital assets	(2,736)	21,140
Change in employee benefits payable	(25,261)	(36,082)
Lakeland Holding Ltd. - share of income net of dividends	(174,775)	(97,563)
Lakeland Holding Ltd. – loss on redistribution of shares	40,570	-
	974,749	455,195
Changes in non-cash items:		
Taxes receivable	67,038	(92,036)
Accounts receivable	(196,230)	7,154
Accounts payable and accrued liabilities	180,615	97,253
Deferred revenue-general	(3,902)	1,195
Deferred revenue-obligatory reserve funds	(32,231)	28,528
Inventories of supplies	(1,649)	(721)
Prepaid expenses	1,590	17,253
	15,231	58,626
Cash provided by operating transactions	989,980	513,821
Capital transactions		
Acquisition of tangible capital assets	(742,990)	(260,395)
Contributed tangible capital assets	-	(6,220)
Proceeds from disposal of tangible capital assets	2,736	149
Cash applied to capital transactions	(740,254)	(266,466)
Financing transactions		
Debt principal repayments	(103,261)	(83,621)
Proceeds from municipal debt	181,515	-
Tangible capital lease repayments	(281)	(46)
Decrease in long-term commitments	-	(9,615)
Cash provided by (applied to) financing transactions	77,973	(93,282)
Net change in cash and cash equivalents	327,699	154,073
Cash and cash equivalents, beginning of year	2,081,052	1,926,979
Cash and cash equivalents, end of year	\$ 2,408,751	\$ 2,081,052
Cash flow supplementary information:		
Cash paid for interest	\$ 65,884	\$ 66,787
Non-cash capital and financing transactions-capital lease	\$ -	\$ 1,681

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

The consolidated financial statements of the Corporation of the Village of Sundridge (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) Proportionally consolidated entities

The following joint boards and committees are proportionally consolidated:

- Fire
- Medical Centre
- Recreation
- Arena and Hall
- Library
- Building Committee
- 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: Lakeland Holding Ltd.

(iii) Non-consolidated entities

The following joint boards are not consolidated:

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

(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.

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

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

- (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 - 20 to 50 years
Machinery, equipment and furniture - 5 to 20 years
Vehicles - 7 to 30 years
Roads - 10 to 60 years
Wastewater infrastructure- 80 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.

Interest related to the acquisition of capital assets is not capitalized, but is expensed in the year incurred.

(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.

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

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

- (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.
- (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.

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

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

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	\$ 46,446	\$ 47,270
North Bay Parry Sound District Health Unit	32,275	32,275
District of Parry Sound (East) Home for the Aged	31,939	32,000
	\$ 110,660	\$ 111,545

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.

3. TRANSACTIONS ON BEHALF OF OTHERS

(a) During the year, \$339,965 of taxation was collected on behalf of school boards (2016 \$327,646).

(b) The Municipality administers the High Rock Look-out trust fund. This fund was established in 1967 for the purposes of providing a picnic area and community gathering place for the citizens of the Sundridge area. This endowment fund is to be held in perpetuity, and any interest earnings derived therefrom are to be used to maintain the park. The balance of the trust is \$31,202 (2016 \$35,970). As this balance is held in trust by the Municipality for the benefit of others, it not presented as part of the Municipality's financial position or operations.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of:

	2017	2016
Unrestricted cash	\$ 2,407,283	\$ 2,047,353
Restricted cash	1,468	33,699
	\$ 2,408,751	\$ 2,081,052

Federal and Provincial legislation restricts how restricted cash related to obligatory reserve funds, reported in Note 7, may be used.

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

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

5. INVESTMENT IN LAKELAND HOLDING LTD.

Lakeland Holding Ltd. is a municipally owned government business enterprise. Two of its subsidiaries produce and distribute hydro electric power to users in Bracebridge, Huntsville, Sundridge, Burk's Falls, Magnetawan and Parry Sound. A third subsidiary sells utility related products and services. In 2017 shares were redistributed among the municipalities, and the Municipality recorded a loss on this redistributions of \$40,502. The Municipality holds a 3.66% (2016 - 3.75%) ownership stake in the common shares of Lakeland Holding Ltd.

Condensed financial information in respect to Lakeland Holding Ltd. is provided below.

	2017	2016
Consolidated Statement of Financial Position		
Assets		
Current Assets	\$ 20,853,543	\$ 20,074,484
Non-Current Assets	96,309,173	84,594,774
Total Assets	117,162,716	104,669,258
Regulatory Deferral Account Balances and Related Deferred Taxes	867,316	1,494,016
Total Assets and Regulatory Deferral Account Balances	118,030,032	106,163,274
Liabilities		
Current Liabilities	22,844,422	20,314,912
Non-Current Liabilities	45,375,100	40,846,393
Total Liabilities	68,219,522	61,161,305
Shareholder's Equity	49,810,510	45,001,969
Total Liabilities and Equity	\$ 118,030,032	\$ 106,163,274
Municipality's investment	\$ 1,823,064	\$ 1,687,574
Consolidated Statement of Comprehensive Income		
Total operating revenue	\$ 57,127,182	\$ 56,674,994
Total operating expenses	(47,854,971)	(51,116,378)
Other income and expenses	(476,812)	(627,423)
Provision for payments in lieu of taxes	(2,117,457)	(1,035,089)
Net movement in regulatory deferral account balances	(152,658)	333,059
Profit for the year and net movements in regulatory deferral account balances	6,525,284	4,229,163
Other comprehensive income, net of income tax	33,257	152,976
Total comprehensive income for the year	\$ 6,558,541	\$ 4,382,139
Municipality's share of profit for the year and net movements in regulatory deferral account balances	\$ 240,319	\$ 158,425
Less: dividends received from Lakeland Holding Ltd.	(65,544)	(60,862)
Municipality's share of income, net of dividends	174,775	97,563
Add:		
Loss on redistribution of shares excluding gain on other comprehensive Loss	(40,570)	-
Gain on redistribution of shares relating to other comprehensive loss	68	-
Municipality's share of other comprehensive income, net of income tax	1,217	5,736
Increase in Municipality's investment	\$ 135,490	\$ 103,299

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

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

6. DEFERRED REVENUE-GENERAL

The Sundridge and District 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:

	2017	2016
Balance, beginning of year:		
Medical Centre	\$ 4,278	\$ 4,530
Other	3,062	1,615
	<u>7,340</u>	<u>6,145</u>
Received during the year:		
Medical Centre	120,115	127,500
Other	2,756	10,516
	<u>122,871</u>	<u>138,016</u>
Recognized in revenue during the year	(126,773)	(136,821)
Repaid during the year	-	-
Balance, end of year	\$ 3,438	\$ 7,340
Medical Centre	\$ 934	\$ 4,278
Other deferred revenue	2,504	3,062
Balance, end of year	\$ 3,438	\$ 7,340

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

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

7. 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)	\$ -	\$ 2,133
Building Code Act	3,049	3,038
Federal Gas Tax	30,650	-
	<u>33,699</u>	<u>5,171</u>
Received during the year:		
Building Code Act	-	11
Federal Gas Tax	60,955	59,894
Interest earned	192	10
	<u>61,147</u>	<u>59,915</u>
Recognized in revenue during the year	<u>(93,378)</u>	<u>(31,387)</u>
Balance, end of year	\$ 1,468	\$ 33,699
Recreational land (the Planning Act)	\$ -	-
Building Code Act	1,468	3,049
Federal Gas Tax	-	30,650
Balance, end of year	\$ 1,468	\$ 33,699

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

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

8. 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
Ontario Infrastructure and Lands Corporation loan, due November 2044, repayable in monthly payments of \$8,204 including interest calculated at 3.6%	\$ 1,695,502	\$ 1,732,195
Ontario Infrastructure and Lands Corporation loan, due November 2019, repayable in monthly payments of \$4,297 including interest calculated at 1.94%	96,943	146,109
Ontario Infrastructure and Lands Corporation loan, due May 2022, repayable in semi-annual payments of \$19,098 including interest calculated at 1.87%	164,113	-
	\$ 1,956,558	\$ 1,878,304

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

	Principal	Interest
2018	\$ 123,457	\$ 64,756
2019	122,196	61,264
2020	77,501	59,146
2021	79,685	56,961
2022	62,839	54,651
2023 onwards	1,490,880	666,826
	\$ 1,956,558	\$ 963,604

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

	2017	2016
Principal payments	\$ 103,261	\$ 83,621
Interest	65,854	66,226
	\$ 169,114	\$ 149,847

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

9. TANGIBLE CAPITAL LEASES

In conjunction with the Corporation of the Township of Strong, the Municipality leases library equipment, which is accounted for on the Consolidated Statement of Financial Position at the present value of future minimum lease payments. Future minimum lease payments are as follows:

	2017	2016
2017	\$ -	\$ 312
2018	311	311
2019	312	312
2020	311	311
2021	482	482
Total minimum lease payments	1,416	1,728
Less amount representing interest (2.02% incremental borrowing rate))	(62)	(93)
Present value of future minimum capital lease payments	\$ 1,354	\$ 1,635

Interest of \$30 (2016 \$6) relating to capital lease obligations has been reported on the Consolidated Statement of Operations.

10. 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 \$14,896 (2016 \$23,236) at the end of the year.
- (b) Under the retirement gratuity plan, 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 liability for the retirement gratuity is estimated at \$5,416 (2016 \$22,337) at the end of the year.

11. 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. Therefore, no provision has been made in the accompanying financial statements.

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

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

12. TANGIBLE CAPITAL ASSETS

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

2017								
	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads and Bridges	Wastewater Infrastructure	Assets Under Construction	TOTAL
COST								
Balance, beginning of year	\$ 1,811,454	\$ 1,640,679	\$ 861,552	\$ 494,200	\$ 4,345,751	\$ 8,751,311	\$ 48,126	\$ 17,953,073
Additions and betterments	-	-	50,106	212,366	-	-	480,518	742,990
Contributed assets	-	-	-	-	-	-	-	-
Disposals and writedowns	-	-	(5,202)	(34,207)	-	-	-	(39,409)
BALANCE, END OF YEAR	1,811,454	1,640,679	906,456	672,359	4,345,751	8,751,311	528,644	18,656,654
ACCUMULATED AMORTIZATION								
Balance, beginning of year	455,078	743,067	420,296	244,015	3,423,447	898,772	-	6,184,675
Annual amortization	61,773	36,116	53,478	32,215	81,267	112,433	-	377,282
Accumulated amortization on contributed assets	-	-	-	-	-	-	-	-
Amortization disposals	-	-	(5,202)	(34,207)	-	-	-	(39,409)
BALANCE, END OF YEAR	516,851	779,183	468,572	242,023	3,504,714	1,011,205	-	6,522,548
TANGIBLE CAPITAL ASSETS-NET	\$ 1,294,603	\$ 861,496	\$ 437,884	\$ 430,336	\$ 841,037	\$ 7,740,106	\$ 528,644	\$ 12,134,106
2016								
	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads and Bridges	Wastewater Infrastructure	Assets Under Construction	TOTAL
COST								
Balance, beginning of year	\$ 1,813,055	\$ 1,634,661	\$ 775,847	\$ 494,200	\$ 4,299,557	\$ 8,710,105	\$ 24,474	\$ 17,751,899
Additions and betterments	-	31,308	119,554	-	46,356	41,206	23,652	262,076
Contributed assets	-	-	6,220	-	-	-	-	6,220
Disposals and writedowns	(1,601)	(25,290)	(40,069)	-	(162)	-	-	(67,122)
BALANCE, END OF YEAR	1,811,454	1,640,679	861,552	494,200	4,345,751	8,751,311	48,126	17,953,073
ACCUMULATED AMORTIZATION								
Balance, beginning of year	393,029	715,452	411,183	216,906	3,298,545	786,598	-	5,821,713
Annual amortization	62,049	35,798	46,601	27,109	125,064	112,174	-	408,795
Amortization disposals	-	(8,183)	(37,488)	-	(162)	-	-	(45,833)
BALANCE, END OF YEAR	455,078	743,067	420,296	244,015	3,423,447	898,772	-	6,184,675
TANGIBLE CAPITAL ASSETS-NET	\$ 1,356,376	\$ 897,612	\$ 441,256	\$ 250,185	\$ 922,304	\$ 7,852,539	\$ 48,126	\$ 11,768,398

Included in tangible capital assets are leased tangible capital assets with a cost of \$1,682 (2016 - \$1,682) and accumulated amortization of \$168 (2016 - \$84).

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

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

13. 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 government retirement gratuity	\$ 17,897	\$ (17,897)	\$ -
General government	-	120,783	120,783
Fire	130,746	65,744	196,490
Roads capital and construction	1,182,497	(75,923)	1,106,574
Roads retirement gratuity	4,895	550	5,445
Wastewater	446,491	79,659	526,150
Medical Centre interest	25,163	4,250	29,413
Splashpad	16,127	1,166	17,293
Parks and recreation	113,796	9,498	123,294
Special events, triathlon and sunflower festival	10,940	2,250	13,190
Official Plan	15,000	-	15,000
Message Board	14,548	8,000	22,548
Arena	7,356	800	8,156
Library	4,129	(1,451)	2,678
	1,989,585	197,429	2,187,014
OTHER			
Consolidated tangible capital assets	11,768,398	365,708	12,134,106
General operating surplus (deficit)-			
Municipality	96,589	90,247	185,551
Arena	(6,754)	19,422	12,668
Library	1,871	538	2,409
Central Almaguin Economic Development Association	1,523	2,707	4,230
Medical Centre	1,195	2,125	3,320
Equity in Lakeland Holding Ltd.	1,687,574	135,490	1,823,064
Unfunded amounts -			
Municipal debt	(1,878,304)	(78,254)	(1,956,558)
Tangible capital leases	(1,635)	281	(1,354)
Employee benefits payable	(45,573)	25,261	(20,312)
	\$ 13,614,469	\$ 760,954	\$ 14,375,423

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

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

14. 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, 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 solid waste management and sanitary sewers.

Health Services

This segment includes cemeteries, ambulance services as well as 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 and library 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 rent, machinery and administrative time to specific segments.

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

14. 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	\$ -	\$ -	\$ -	\$ 444,251	\$ -	\$ -	\$ -	\$ -	\$ 1,545,091	\$ 1,989,342
User charges	-	-	-	11,474	-	-	23,357	25	3,570	38,426
Government transfers -										
Canada	-	14	91,797	-	-	-	2,418	970	-	95,199
Ontario	30,554	26,240	50,000	143,482	115,462	-	8,181	-	404,900	778,819
Other municipalities	-	2,466	-	-	-	-	19,237	-	-	21,703
Lakeland Holding Ltd. - share of income, net of dividends	-	-	-	-	-	-	-	-	174,775	174,775
Lakeland Holding Ltd. - loss on redistribution of shares	-	-	-	-	-	-	-	-	(40,570)	(40,570)
Gain on sale of tangible capital assets	-	2,736	-	-	-	-	-	-	-	2,736
Other	10,161	38,345	121	93	40,698	-	69,685	780	119,957	279,840
TOTAL REVENUE	40,715	69,801	141,918	599,300	210,239	-	122,878	1,775	2,207,722	3,340,270
EXPENSES										
Salaries, wages and benefits	347,671	88,778	207,490	-	36,665	-	95,543	2,427	-	778,574
Long-term debt charges (interest)	-	1,706	-	63,982	-	-	-	-	-	65,688
Materials	75,314	61,684	107,245	222,136	20,032	-	93,733	1,332	-	581,476
Contracted services	77,179	222,931	46,652	140,676	123,862	-	29,982	10,791	-	652,073
Rents and financial expenses	2,491	1,230	-	-	4,978	-	4,237	67	-	13,003
External transfers	25	-	-	-	32,275	80,185	20	-	-	112,505
Amortization	12,072	28,368	155,852	128,625	5,032	2,570	42,158	2,605	-	377,282
TOTAL EXPENSES	514,752	404,697	517,239	555,419	222,844	82,755	265,673	17,222	-	2,580,601
ANNUAL SURPLUS (DEFICIT)	\$ (474,037)	\$ (334,896)	\$ (375,321)	\$ 43,881	\$ (12,605)	\$ (82,755)	\$ (142,795)	\$ (15,447)	\$ 2,207,722	\$ 759,669

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

14. 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	\$ -	\$ -	\$ -	\$ 441,131	\$ -	\$ -	\$ -	\$ -	\$ 1,496,240	\$ 1,937,371
User charges	2,258	744	-	11,474	-	-	16,503	609	-	31,588
Government transfers -										
Canada	-	239	32,407	-	106	-	2,648	7,454	2,649	45,503
Ontario	11,879	4,855	25,000	8,168	127,753	-	7,876	-	369,200	554,731
Other municipalities	-	19,672	2,396	-	-	-	717	-	-	22,785
Lakeland Holding Ltd. - share of income, net of dividends	-	-	-	-	-	-	-	-	97,563	97,563
Loss on disposal of capital assets	-	(1,511)	(5,653)	(3,602)	-	-	(10,374)	-	-	(21,140)
Other	8,988	8,800	2,072	4,445	40,839	-	79,006	83	120,719	264,952
TOTAL REVENUE	23,125	32,799	56,222	461,616	168,698	-	96,376	8,146	2,086,371	2,933,353
EXPENSES										
Salaries, wages and benefits	447,970	80,599	171,862	13,601	46,574	-	103,126	9,126	-	872,858
Long-term debt charges (interest)	-	-	-	66,226	385	-	6	-	-	66,617
Materials	70,619	38,219	106,108	81,909	16,864	-	107,121	2,796	-	423,636
Contracted services	74,795	215,781	79,144	328,096	117,247	-	43,486	10,463	-	869,012
Rents and financial expenses	2,041	1,000	-	-	5,960	-	313	247	-	9,561
External transfers	2,974	-	-	-	32,275	81,070	7,350	300	-	123,969
Interfunctional adjustments	(8,308)	1,500	(7,608)	2,793	3,648	-	7,975	-	-	-
Amortization	9,615	23,061	197,044	127,997	4,850	2,570	41,053	2,605	-	408,795
TOTAL EXPENSES	599,706	360,160	546,550	620,622	227,803	83,640	310,430	25,537	-	2,774,448
ANNUAL SURPLUS (DEFICIT)	\$ (576,581)	\$ (327,361)	\$ (490,328)	\$ (159,006)	\$ (59,105)	\$ (83,640)	\$ (214,054)	\$ (17,391)	\$ 2,086,371	\$ 158,905

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

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

15. RELATED PARTY TRANSACTIONS

During the normal course of operations, the Municipality received dividends of \$65,544 (2016 \$60,862) and purchased power in the amount of \$133,339 (2016 \$141,688) from Lakeland Holding Ltd. All related party transactions are recorded at their exchange amount, which is the amount of consideration established and agreed to by the related parties, which approximates the arm's length equivalent value.

16. 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	\$ 379,152
Decrease in municipal reserves and reserve funds	(609,435)
Decrease in board and joint board general operating surplus and reserves and reserve funds	(471,143)
ADJUSTMENTS:	
Acquisition of tangible capital assets	1,574,345
Municipal contribution adjustment	90
Amortization of tangible capital assets	(377,200)
Increase in municipal debt	(95,656)
ANNUAL SURPLUS	\$ 400,153

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

17. 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 \$93,614 million with respect to benefits accrued for service with actuarial assets at that date of \$88,211 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 \$28,282 (2016 \$31,636) for current service and is included as an expense on the Consolidated Statement of Operations.

18. COMPARATIVE FIGURES

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