
**THE CORPORATION OF
THE VILLAGE OF SUNDRIDGE**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE
CONTENTS

	Page
Independent Auditor's Report	1 - 2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations	4
Consolidated Statement of Accumulated Surplus	5
Consolidated Statement of Change in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 24

Independent auditor's report

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

Opinion

We have audited the consolidated financial statements of The Corporation of the Village of Sundridge ("the Village"), which comprise the consolidated statement of financial position as at December 31, 2018, 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 Sundridge as at December 31, 2018, 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 12, 2019

Chartered Professional Accountants
Licensed Public Accountants

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and cash equivalents <i>(Note 4)</i>	\$ 1,927,207	\$ 2,408,751
Taxes receivable <i>(Note 5)</i>	377,153	342,499
Accounts receivable	302,497	335,717
Investment in Lakeland Holding Ltd. <i>(Note 6)</i>	1,976,424	1,823,064
	4,583,281	4,910,031
LIABILITIES		
Accounts payable and accrued liabilities	570,007	692,201
Deferred revenue-general <i>(Note 7)</i>	22,613	3,438
Deferred revenue-obligatory reserve funds <i>(Note 8)</i>	4,211	1,468
Municipal debt <i>(Note 9)</i>	1,833,102	1,956,558
Accrued interest on long-term debt	5,050	5,340
Tangible capital leases <i>(Note 10)</i>	1,067	1,354
Employee benefits payable <i>(Note 11)</i>	33,511	20,312
	2,469,561	2,680,671
NET FINANCIAL ASSETS	2,113,720	2,229,360
NON-FINANCIAL ASSETS		
Tangible capital assets - net <i>(Note 13)</i>	13,607,921	12,134,106
Inventories of supplies	11,040	9,080
Prepaid expenses	8,966	2,877
	13,627,927	12,146,063
ACCUMULATED SURPLUS <i>(Note 14)</i>	\$ 15,741,647	\$ 14,375,423

Contingencies *(Notes 2 and 12)*

APPROVED ON BEHALF OF COUNCIL:

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THE CORPORATION OF THE VILLAGE OF SUNDRIDGE
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget 2018 <i>(see Note 17)</i>	Actual 2018	Actual 2017
REVENUE			
Property taxes	\$ 1,982,852	\$ 1,988,842	\$ 1,989,342
User charges	45,805	49,281	38,426
Government transfers	2,566,063	1,744,512	895,721
Lakeland Holding Ltd. - share of income, net of dividends <i>(Note 6)</i>	-	152,143	174,775
Lakeland Holding Ltd. - loss on distribution of shares <i>(Note 6)</i>	-	-	(40,570)
Other	287,148	215,250	282,576
TOTAL REVENUE	4,881,868	4,150,028	3,340,270
EXPENSES			
General government	595,078	577,820	514,752
Protection to persons and property	471,633	394,764	404,697
Transportation services	576,755	567,199	517,239
Environmental services	606,572	595,901	555,419
Health services	254,019	250,535	222,844
Social and family services	82,840	82,807	82,755
Recreation and cultural services	301,568	279,840	265,673
Planning and development	37,347	36,155	17,222
TOTAL EXPENSES	2,925,812	2,785,021	2,580,601
ANNUAL SURPLUS	1,956,056	1,365,007	759,669

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, 2018

	Budget 2018 <i>(see Note 17)</i>	Actual 2018	Actual 2017
Accumulated surplus, beginning of year	\$ 14,375,423	\$ 14,375,423	\$ 13,614,469
Annual surplus	1,956,056	1,365,007	759,669
Lakeland Holding Ltd. - gain on redistribution of shares relating to other comprehensive loss <i>(Note 6)</i>	-	-	68
Lakeland Holding Ltd. - share of change in other comprehensive income <i>(Note 6)</i>	-	1,217	1,217
ACCUMULATED SURPLUS, END OF YEAR	\$ 16,331,479	\$ 15,741,647	\$ 14,375,423

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, 2018

	Budget 2018 <i>(see Note 17)</i>	Actual 2018	Actual 2017
Annual surplus	\$ 1,956,056	\$ 1,365,007	\$ 759,669
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	1,217
Acquisition of tangible capital assets	(3,052,870)	(1,917,695)	(742,990)
Amortization of tangible capital assets	366,831	366,814	377,282
(Gain) loss on disposal of tangible capital assets	-	73,270	(2,736)
Proceeds from disposal of tangible capital assets	-	3,796	2,736
Change in supplies inventories	-	(1,960)	(1,649)
Change in prepaid expenses	-	(6,089)	1,590
Increase (decrease) in net financial assets	(729,983)	(115,640)	395,187
Net financial assets, beginning of year	2,229,360	2,229,360	1,834,173
Net financial assets, end of year	\$ 1,499,377	\$ 2,113,720	\$ 2,229,360

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, 2018

	2018	2017
Operating transactions		
Annual surplus	\$ 1,365,007	\$ 759,669
Non-cash charges to operations:		
Amortization	366,814	377,282
(Gain) loss on disposal of tangible capital assets	73,270	(2,736)
Change in employee benefits payable	13,199	(25,261)
Lakeland Holding Ltd. - share of income net of dividends	(152,143)	(174,775)
Lakeland Holding Ltd. - loss on redistribution of shares	-	40,570
	1,666,147	974,749
Changes in non-cash items:		
Taxes receivable	(34,654)	67,038
Accounts receivable	33,220	(196,230)
Accounts payable and accrued liabilities	(122,194)	180,615
Deferred revenue-general	19,175	(3,902)
Deferred revenue-obligatory reserve funds	2,743	(32,231)
Accrued interest on long-term debt	(290)	-
Inventories of supplies	(1,960)	(1,649)
Prepaid expenses	(6,089)	1,590
	(110,049)	15,231
Cash provided by operating transactions	1,556,098	989,980
Capital transactions		
Acquisition of tangible capital assets	(1,917,695)	(742,990)
Proceeds from disposal of tangible capital assets	3,796	2,736
Cash applied to capital transactions	(1,913,899)	(740,254)
Financing transactions		
Proceeds from municipal debt	-	181,515
Debt principal repayments	(123,456)	(103,261)
Tangible capital lease repayments	(287)	(281)
Cash provided by (applied to) financing transactions	(123,743)	77,973
Net change in cash and cash equivalents	(481,544)	327,699
Cash and cash equivalents, beginning of year	2,408,751	2,081,052
Cash and cash equivalents, end of year	\$ 1,927,207	\$ 2,408,751
Cash flow supplementary information:		
Cash paid for interest	\$ 64,781	\$ 65,884

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, 2018

Management Responsibility

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, 2018

- (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, 2018

- (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, 2018

2. CONTRIBUTIONS TO UNCONSOLIDATED JOINT BOARDS

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

	2018	2017
District of Parry Sound Social Services Administration Board	\$ 46,312	\$ 46,446
North Bay Parry Sound District Health Unit	32,275	32,275
District of Parry Sound (East) Home for the Aged	32,125	31,939
	\$ 110,712	\$ 110,660

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, \$336,613 of taxation was collected on behalf of school boards (2017 \$339,965).

(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 \$33,564 (2017 \$31,202). 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 is comprised of:

	2018	2017
Unrestricted cash	\$ 1,922,996	\$ 2,407,283
Restricted cash	4,211	1,468
	\$ 1,927,207	\$ 2,408,751

Federal and Provincial legislation restricts how restricted cash related to obligatory reserve funds, reported in Note 8, may be used.

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2018

5. TAXES RECEIVABLE

Taxes receivable are comprised of the following:

	2018		2017	
Taxes receivable	\$	385,428	\$	342,499
Valuation allowance		(8,275)		-
	\$	377,153	\$	342,499

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

6. 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. The Municipality holds a 3.66% ownership stake in the common shares of Lakeland Holding Ltd.

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

	2018	2017
Consolidated Statement of Financial Position		
Assets		
Current Assets	\$ 22,850,090	\$ 20,853,543
Non-Current Assets	101,824,230	96,309,173
Total Assets	124,674,320	117,162,716
Regulatory Deferral Account Balances and Related Deferred Taxes	806,197	867,316
Total Assets and Regulatory Deferral Account Balances	125,480,517	118,030,032
Liabilities		
Current Liabilities	10,081,537	22,844,422
Non-Current Liabilities	61,398,336	45,375,100
Total Liabilities	71,479,873	68,219,522
Shareholder's Equity	54,000,644	49,810,510
Total Liabilities and Equity	\$ 125,480,517	\$ 118,030,032
Municipality's investment	\$ 1,976,424	\$ 1,823,064
Consolidated Statement of Comprehensive Income		
Total operating revenue	\$ 57,777,128	\$ 57,112,196
Total operating expenses	(48,633,067)	(47,839,985)
Other income and expenses	(1,249,085)	(476,812)
Provision for payments in lieu of taxes	(2,006,235)	(2,117,457)
Net movement in regulatory deferral account balances	164,169	(152,658)
Profit for the year and net movements in regulatory deferral account balances	6,052,910	6,525,284
Other comprehensive income, net of income tax	33,257	33,257
Total comprehensive income for the year	\$ 6,086,167	\$ 6,558,541
Municipality's share of profit for the year and net movements in regulatory deferral account balances	\$ 221,515	\$ 240,319
Less: dividends received from Lakeland Holding Ltd.	(69,372)	(65,544)
Municipality's share of income, net of dividends	152,143	174,775
Add:		
Municipality's share of other comprehensive income, net of income tax	1,217	1,217
Loss on redistribution of shares excluding gain on other comprehensive loss	-	(40,570)
Gain on redistribution of shares relating to other comprehensive loss	-	68
Increase in Municipality's investment	\$ 153,360	\$ 135,490

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

7. DEFERRED REVENUE-GENERAL

In 2018 the Municipality entered into an agreement with the Ministry of Agriculture, Food and Rural Affairs under the Ontario Community Infrastructure Fund Top-up Application Component to obtain funding for the reconstruction of Main Street. The terms of the agreement contain certain transfer stipulations, based on eligible costs and milestones. The maximum funding eligible under this agreement is \$1,794,462 and expires in March 2021.

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:

	2018	2017
Balance, beginning of year:		
Medical Centre	\$ 934	\$ 4,278
Other	2,504	3,062
	3,438	7,340
Received during the year:		
Medical Centre	134,950	120,115
Main Street	986,954	-
Other	15,775	2,756
Interest earned	6,418	-
	1,144,097	122,871
Recognized in revenue during the year	(1,124,922)	(126,773)
Balance, end of year	\$ 22,613	\$ 3,438
Medical Centre	\$ -	\$ 934
Main Street	19,630	
Other deferred revenue	2,983	2,504
Balance, end of year	\$ 22,613	\$ 3,438

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

8. 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:

	2018	2017
Balance, beginning of year:		
Building Code Act	\$ 1,468	\$ 3,049
Federal Gas Tax	-	30,650
	<u>1,468</u>	<u>33,699</u>
Received during the year:		
Building Code Act	2,743	-
Federal Gas Tax	62,746	60,955
Interest earned	-	192
	<u>65,489</u>	<u>61,147</u>
Recognized in revenue during the year	<u>(62,746)</u>	<u>(93,378)</u>
Balance, end of year - Building Code Act	\$ 4,211	\$ 1,468

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

9. MUNICIPAL DEBT

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

	2018	2017
Ontario Infrastructure and Lands Corporation loan, due November 2044, repayable in monthly payments of \$8,204 including interest calculated at 3.6%	\$ 1,657,466	\$ 1,695,502
Ontario Infrastructure and Lands Corporation loan, due November 2019, repayable in monthly payments of \$4,297 including interest calculated at 1.94%	46,813	96,943
Ontario Infrastructure and Lands Corporation loan, due May 2022, repayable in semi-annual payments of \$19,088 including interest calculated at 1.87%	128,823	164,113
	\$ 1,833,102	\$ 1,956,558

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

	Principal	Interest
2019	\$ 122,196	\$ 61,719
2020	77,501	59,146
2021	79,685	56,961
2022	62,839	54,651
2023	45,525	52,925
2024 onwards	1,445,356	613,901
	\$ 1,833,102	\$ 899,303

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

	2018	2017
Principal payments	\$ 123,456	\$ 103,261
Interest	64,466	65,854
	\$ 187,922	\$ 169,115

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

10. 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:

	2018	2017
2018	\$ -	\$ 311
2019	312	312
2020	311	311
2021	482	482
Total minimum lease payments	1,105	1,416
Less amount representing interest (2.02% incremental borrowing rate))	(38)	(62)
Present value of future minimum capital lease payments	\$ 1,067	\$ 1,354

Interest of \$25 (2017 \$30) relating to capital lease obligations has been reported on the Consolidated Statement of Operations.

11. 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 \$20,520 (2017 \$14,896) 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 \$12,991 (2017 \$5,416) at the end of the year.

12. 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, 2018

13. TANGIBLE CAPITAL ASSETS

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

2018								
	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	\$ 906,456	\$ 672,359	\$ 4,345,751	\$ 8,751,311	\$ 528,644	\$ 18,656,654
Additions and betterments	332,224	-	70,758	62,614	1,436,470	8,913	6,716	1,917,695
Disposals and writedowns	(181,941)	-	(141,070)	(28,400)	(179,913)	(2,256)	-	(533,580)
Transfer between classes	-	-	-	-	528,644	-	(528,644)	-
BALANCE, END OF YEAR	1,961,737	1,640,679	836,144	706,573	6,130,952	8,757,968	6,716	20,040,769
ACCUMULATED AMORTIZATION								
Balance, beginning of year	516,851	779,183	468,572	242,023	3,504,714	1,011,205	-	6,522,548
Annual amortization	65,256	36,115	57,369	38,058	57,540	112,476	-	366,814
Amortization disposals	(127,359)	-	(140,384)	(16,917)	(170,698)	(1,156)	-	(456,514)
BALANCE, END OF YEAR	454,748	815,298	385,557	263,164	3,391,556	1,122,525	-	6,432,848
TANGIBLE CAPITAL ASSETS-NET	\$ 1,506,989	\$ 825,381	\$ 450,587	\$ 443,409	\$ 2,739,396	\$ 7,635,443	\$ 6,716	\$ 13,607,921
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
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
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

Included in tangible capital assets are leased tangible capital assets with a cost of \$1,682 (2017 \$1,682) and accumulated amortization of \$421 (2017 \$252).

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

14. ACCUMULATED SURPLUS

The 2018 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	\$ 120,783	\$ 21,727	\$ 142,510
Fire	196,490	(53,300)	143,190
Roads capital and construction	1,106,574	(561,108)	545,466
Roads retirement gratuity	5,445	-	5,445
Wastewater	526,150	24,643	550,793
Medical Centre interest	29,413	4,250	33,663
Splashpad	17,293	2,000	19,293
Parks and recreation	123,294	7,813	131,107
Special events, triathlon and sunflower festival	13,190	1,119	14,309
Official Plan	15,000	-	15,000
Message Board	22,548	8,000	30,548
Arena	8,156	800	8,956
Library	2,678	-	2,678
	2,187,014	(544,056)	1,642,958
OTHER			
Consolidated tangible capital assets	12,134,106	1,473,815	13,607,921
General operating surplus (deficit) -			
Municipality	186,836	164,683	351,519
Arena	12,668	8,807	21,475
Library	2,409	870	3,279
Central Almaguin Economic Development Association	4,230	(4,536)	(306)
Medical Centre	3,320	2,737	6,057
Equity in Lakeland Holding Ltd.	1,823,064	153,360	1,976,424
Unfunded amounts -			
Municipal debt	(1,956,558)	123,456	(1,833,102)
Tangible capital leases	(1,354)	287	(1,067)
Employee benefits payable	(20,312)	(13,199)	(33,511)
	\$ 14,375,423	\$ 1,366,224	\$ 15,741,647

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

15. 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 and administrative services to specific segments.

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

15. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2018

	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	\$ -	\$ -	\$ -	\$ 435,346	\$ -	\$ -	\$ -	\$ -	\$ 1,553,496	\$ 1,988,842
User charges	1,182	14,859	-	11,474	-	-	21,326	440	-	49,281
Government transfers -										
Canada	-	-	62,746	-	-	-	-	12,792	-	75,538
Ontario	-	10,429	1,017,324	13,511	143,884	-	8,496	-	454,500	1,648,144
Other municipalities	-	16,433	2,249	-	-	-	2,148	-	-	20,830
Lakeland Holding Ltd. - share of income, net of dividends	-	-	-	-	-	-	-	-	152,143	152,143
Loss on disposal of capital assets	-	(8,038)	(64,897)	-	-	-	(335)	-	-	(73,270)
Other	13,165	18,264	6,752	5,152	42,675	-	73,512	848	128,152	288,520
TOTAL REVENUE	14,347	51,947	1,024,174	465,483	186,559	-	105,147	14,080	2,288,291	4,150,028
EXPENSES										
Salaries, wages and benefits	389,826	98,750	269,299	-	60,457	-	103,794	15,631	-	937,757
Long-term debt charges (interest)	-	2,794	-	61,672	-	-	25	-	-	64,491
Materials	64,296	43,674	110,995	96,453	23,236	-	100,980	5,129	-	444,763
Contracted services	115,934	209,096	51,019	309,109	118,931	-	25,558	12,482	-	842,129
Rents and financial expenses	3,678	2,153	-	-	6,065	-	2,722	308	-	14,926
External transfers	1,125	-	-	-	32,775	80,237	4	-	-	114,141
Interfunctional adjustments	(9,526)	1,913	-	-	3,858	-	3,755	-	-	-
Amortization	12,487	36,384	135,886	128,667	5,213	2,570	43,002	2,605	-	366,814
TOTAL EXPENSES	577,820	394,764	567,199	595,901	250,535	82,807	279,840	36,155	-	2,785,021
ANNUAL SURPLUS (DEFICIT)	\$ (563,473)	\$ (342,817)	\$ 456,975	\$ (130,418)	\$ (63,976)	\$ (82,807)	\$ (174,693)	\$ (22,075)	\$ 2,288,291	\$ 1,365,007

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

15. 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 disposal of 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	156,160	-	122,878	1,775	2,207,723	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	100,067	20,032	-	93,733	1,332	-	459,407
Contracted services	77,179	222,931	46,652	262,745	123,862	-	29,982	10,791	-	774,142
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	\$ (66,684)	\$ (82,755)	\$ (142,795)	\$ (15,447)	\$ 2,207,723	\$ 759,669

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

16. RELATED PARTY TRANSACTIONS

During the normal course of operations, the Municipality received dividends of \$69,372 (2017 \$65,544) and purchased power in the amount of \$125,785 (2017 \$133,339) 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.

17. 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:	
Change in general municipal operating surplus	\$ -
Decrease in unfinanced capital - Medical Centre	3,840
Decrease in municipal reserves and reserve funds	(840,890)
Decrease in board and joint board general operating surplus and reserves and reserve funds	(16,401)
ADJUSTMENTS:	
Acquisition of tangible capital assets	3,052,870
Amortization of tangible capital assets	(366,831)
Decrease in municipal debt	123,468
ANNUAL SURPLUS	\$ 1,956,056

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

18. 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, 2018. The results of this valuation disclosed total actuarial liabilities of \$100,081 million with respect to benefits accrued for service with actuarial assets at that date of \$95,890 million indicating an actuarial deficit of \$4,191 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 2018 was \$39,187 (2017 \$28,282) for current service and is included as an expense on the Consolidated Statement of Operations.

19. COMPARATIVE FIGURES

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