
**THE CORPORATION OF THE MUNICIPALITY OF
THE VILLAGE OF BURK'S FALLS**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

THE CORPORATION OF THE MUNICIPALITY OF THE VILLAGE OF BURK'S FALLS
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Independent Auditor's Report

Grant Thornton LLP
Suite 200
222 McIntyre Street W
North Bay, ON
P1B 2Y8
T (705) 472-6500
F (705) 472-7760
www.GrantThornton.ca

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Village of Burk's Falls

We have audited the accompanying consolidated financial statements of The Corporation of the Village of Burk's Falls which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of operations, 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 Burk's Falls as at December 31, 2017, and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

North Bay, Canada
June 26, 2018

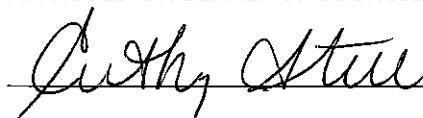
Chartered Professional Accountants
Licensed Public Accountants

THE CORPORATION OF THE MUNICIPALITY OF THE VILLAGE OF BURK'S FALLS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

| | 2017 | 2016 |
|---|----------------------|----------------------|
| FINANCIAL ASSETS | | |
| Cash (Note 4) | \$ 1,177,833 | \$ 77,514 |
| Investments (Note 5) | 13,740 | 7,498 |
| Taxes receivable (Note 6) | 193,858 | 225,308 |
| Accounts receivable | 877,624 | 1,648,526 |
| Investment in Lakeland Holding Ltd. (Note 7) | 1,663,671 | 1,543,568 |
| Inventories held for resale | 598 | 757 |
| | 3,927,324 | 3,503,171 |
| LIABILITIES | | |
| Temporary borrowing | - | 261,722 |
| Accounts payable and accrued liabilities | 525,912 | 818,186 |
| Deferred revenue-general (Note 8) | 795,168 | 516,929 |
| Deferred revenue-obligatory reserve funds (Note 9) | 116,287 | 57,863 |
| Municipal debt (Note 10) | 894,900 | 262,493 |
| Accrued interest on long-term debt | 1,820 | - |
| Tangible capital leases (Note 11) | 103,643 | 116,923 |
| Employee benefits payable (Note 12) | 12,901 | 11,095 |
| Landfill closure and post-closure liability (Note 13) | 66,469 | 172,058 |
| | 2,517,100 | 2,217,269 |
| NET FINANCIAL ASSETS | 1,410,224 | 1,285,902 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets - net (Note 16) | 20,316,955 | 19,776,354 |
| Inventories of supplies | 18,773 | 22,531 |
| Prepaid expenses | 10,534 | 10,595 |
| | 20,346,262 | 19,809,480 |
| ACCUMULATED SURPLUS (Note 17) | \$ 21,756,486 | \$ 21,095,382 |

Contingencies (Notes 2 and 15)
 Contractual obligations (Note 14)

APPROVED ON BEHALF OF COUNCIL:

 Reeve

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE MUNICIPALITY OF THE VILLAGE OF BURK'S FALLS
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Budget 2017 <i>(see Note 20)</i> | Actual 2017 | Actual 2016 |
|--|--|-------------------|---------------------|
| REVENUE | | | |
| Property taxes | \$ 1,163,549 | \$ 1,172,553 | \$ 1,081,542 |
| User charges | 585,945 | 601,648 | 584,590 |
| Government transfers | 2,111,831 | 1,963,290 | 3,614,797 |
| Lakeland Holding Ltd. - share of income, net of dividends <i>(Note 7)</i> | - | 159,494 | 89,238 |
| Lakeland Holding Ltd. - loss on redistribution of shares <i>(Note 7)</i> | - | (40,570) | - |
| Loss on disposal of tangible capital assets | - | (557,268) | (22,327) |
| Other | 318,257 | 442,333 | 326,526 |
| TOTAL REVENUE | 4,179,582 | 3,741,480 | 5,674,366 |
| EXPENSES | | | |
| General government | 488,346 | 443,649 | 444,537 |
| Protection to persons and property | 430,181 | 419,418 | 428,774 |
| Transportation services | 558,003 | 537,177 | 529,086 |
| Environmental services | 972,706 | 950,799 | 820,935 |
| Health services | 286,827 | 291,775 | 274,180 |
| Social and family services | 65,710 | 65,482 | 64,689 |
| Recreation and cultural services | 227,771 | 234,421 | 214,292 |
| Planning and development | 171,788 | 138,834 | 65,663 |
| TOTAL EXPENSES | 3,201,332 | 3,081,555 | 2,842,156 |
| ANNUAL SURPLUS | \$ 978,250 | \$ 659,925 | \$ 2,832,210 |

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE MUNICIPALITY OF THE VILLAGE OF BURK'S FALLS
CONSOLIDATED STATEMENT OF ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Budget 2017 <i>(see Note 20)</i> | Actual 2017 | Actual 2016 |
|--|--|----------------------|----------------------|
| Accumulated surplus, beginning of year | 21,095,382 | 21,095,382 | 18,257,925 |
| Annual surplus | 978,250 | 659,925 | 2,832,210 |
| Lakeland Holding Ltd. - gain on redistribution of shares relating to other comprehensive loss <i>(Note 7)</i> | - | 68 | - |
| Lakeland Holding Ltd. - share of change in other comprehensive income <i>(Note 7)</i> | - | 1,111 | 5,247 |
| ACCUMULATED SURPLUS, END OF YEAR | \$ 22,073,632 | \$ 21,756,486 | \$ 21,095,382 |

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE MUNICIPALITY OF THE VILLAGE OF BURK'S FALLS
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Budget 2017 <i>(see Note 20)</i> | Actual 2017 | Actual 2016 |
|---|--|---------------------|---------------------|
| Annual surplus | \$ 978,250 | \$ 659,925 | \$ 2,832,210 |
| Lakeland Holding Ltd. - gain on redistribution of shares relating to other comprehensive loss | - | 68 | - |
| Lakeland Holding Ltd. - share of change in other comprehensive income | - | 1,111 | 5,247 |
| Acquisition of tangible capital assets | (1,873,249) | (1,725,855) | (3,469,200) |
| Amortization of tangible capital assets | 627,720 | 627,948 | 601,481 |
| Loss on disposal of tangible capital assets | - | 557,268 | 22,327 |
| Proceeds from disposal of tangible capital assets | - | 38 | 450 |
| Change in supplies inventories | - | 3,758 | 886 |
| Change in prepaid expenses | - | 61 | (487) |
| Increase (decrease) in net financial assets | (267,279) | 124,322 | (7,086) |
| Net financial assets, beginning of year | 1,285,902 | 1,285,902 | 1,292,988 |
| Net financial assets, end of year | \$ 1,018,623 | \$ 1,410,224 | \$ 1,285,902 |

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE MUNICIPALITY OF THE VILLAGE OF BURK'S FALLS
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

| | 2017 | 2016 |
|--|---------------------|--------------------|
| Operating transactions | | |
| Annual surplus | \$ 659,925 | \$ 2,832,210 |
| Non-cash charges to operations: | | |
| Amortization | 627,948 | 601,481 |
| Loss on disposal of tangible capital assets | 557,268 | 22,327 |
| Change in employee benefits payable | 1,806 | (571) |
| Change in landfill closure and post-closure liability | (105,589) | 2,115 |
| Lakeland Holding Ltd. - share of income net of dividends | (159,494) | (89,238) |
| Lakeland Holding Ltd. - loss on redistribution of shares | 40,570 | - |
| | <u>1,622,434</u> | <u>3,368,324</u> |
| Changes in non-cash items: | | |
| Taxes receivable | 31,450 | (43,505) |
| Accounts receivable | 770,902 | (1,405,850) |
| Inventories held for resale | 159 | 134 |
| Accounts payable and accrued liabilities | (292,274) | 457,256 |
| Accrued interest on long-term debt | 1,820 | - |
| Deferred revenue-general | 278,239 | (555,663) |
| Deferred revenue-obligatory reserve funds | 58,424 | (132,798) |
| Inventories of supplies | 3,758 | 886 |
| Prepaid expenses | 61 | (487) |
| | <u>852,539</u> | <u>(1,680,027)</u> |
| Cash provided by operating transactions | <u>2,474,973</u> | <u>1,688,297</u> |
| Capital transactions | | |
| Acquisition of tangible capital assets | (1,725,855) | (3,469,200) |
| Proceeds from disposal of tangible capital assets | 38 | 450 |
| Cash applied to capital transactions | <u>(1,725,817)</u> | <u>(3,468,750)</u> |
| Investing transactions | | |
| Decrease (increase) in investments | (6,242) | 170,208 |
| Cash provided by (applied to) investing transactions | <u>(6,242)</u> | <u>170,208</u> |
| Financing transactions | | |
| Increase (decrease) in temporary borrowing | (261,722) | 261,722 |
| Proceeds from municipal debt | 700,000 | - |
| Debt principal repayments | (67,593) | (75,886) |
| Tangible capital leases repayments | (13,280) | (12,933) |
| Cash provided by financing transactions | <u>357,405</u> | <u>172,903</u> |
| Net change in cash | 1,100,319 | (1,437,342) |
| Cash, beginning of year | 77,514 | 1,514,856 |
| Cash, end of year | \$ 1,177,833 | \$ 77,514 |
| Cash flow supplementary information: | | |
| Cash paid for interest | \$ 16,489 | \$ 11,820 |

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE MUNICIPALITY OF THE VILLAGE OF BURK'S FALLS

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

The consolidated financial statements of the Corporation of the Municipality of the Village of Burk's Falls (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 balances 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 and committees are proportionally consolidated:

Fire
TRI R
Arena and Community Centre
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 MUNICIPALITY OF THE VILLAGE OF BURK'S FALLS

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
Cash includes cash on hand and balances held at financial institutions.

- (iii) Investments
Investments are recorded at cost plus accrued interest.

- (iv) Non-financial assets
Non-financial assets are not available to discharge existing liabilities but are held for use in the provision of municipal services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(a) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Tangible capital assets received as donations are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements - 20 years
Buildings - 10 to 40 years
Machinery, equipment and furniture - 5 to 20 years
Vehicles - 8 to 15 years
Roads - 8 to 75 years
Bridges - 60 years
Water and wastewater infrastructure - 20 to 75 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.

Estimated closure and post-closure expenses for active landfill sites as well as the land occupied by the sites and related land improvements are amortized annually on the basis of capacity used during the year as a percentage of the estimated total capacity of the landfill site.

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

THE CORPORATION OF THE MUNICIPALITY OF THE VILLAGE OF BURK'S FALLSNOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2017

- (b) Inventories of supplies
Inventories held for consumption are recorded at the lower of cost and replacement cost.
- (v) 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.
- (vi) 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.
- (vii) 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.
- (viii) 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.
- (ix) 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.
- (x) 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, estimated useful lives of tangible capital assets, employee benefits payable, solid waste landfill closure and post-closure liabilities and supplementary taxes. Actual results could differ from these estimates.

THE CORPORATION OF THE MUNICIPALITY OF THE VILLAGE OF BURK'S FALLS

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 | \$ 33,840 | \$ 31,715 |
| North Bay Parry Sound District Health Unit | 27,251 | 27,251 |
| District of Parry Sound (East) Home for the Aged | 21,870 | 22,023 |
| | \$ 82,961 | \$ 80,989 |

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, \$254,424 of taxation was collected on behalf of school boards (2016 \$232,105).

(b) The Municipality administers care and maintenance trust funds totalling \$108,407 (2016 \$106,257) which are 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 trust funds are not included in these consolidated financial statements, as they are being held in trust for the benefit of others.

THE CORPORATION OF THE MUNICIPALITY OF THE VILLAGE OF BURK'S FALLS

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

4. CASH

Cash is comprised of:

| | 2017 | 2016 |
|-------------------|---------------------|------------------|
| Unrestricted cash | \$ 1,061,546 | \$ 19,651 |
| Restricted cash | 116,287 | 57,863 |
| | \$ 1,177,833 | \$ 77,514 |

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

5. INVESTMENTS

Investments are comprised of guaranteed investment certificates, bearing interest at 1.2% to 2.0% and maturing between July 11, 2018 and October 20, 2018.

6. TAXES RECEIVABLE

Taxes receivable are comprised of the following:

| | 2017 | 2016 |
|---------------------|-------------------|-------------------|
| Taxes receivable | \$ 197,858 | \$ 229,308 |
| Valuation allowance | (4,000) | (4,000) |
| | \$ 193,858 | \$ 225,308 |

THE CORPORATION OF THE MUNICIPALITY OF THE VILLAGE OF BURK'S FALLS

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

7. 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. Prior to July 2014 the Municipality held a 3.96% ownership in the common shares of Lakeland Holding Ltd., which changed to a 3.43% ownership upon amalgamation with Parry Sound Hydro. In 2017 shares were redistributed among the municipalities, and the Municipality recorded a loss on this redistribution of \$40,502. Effective in 2017, the Municipality now holds a 3.34% share in 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 | \$ 1,663,671 | \$ 1,543,568 |
| 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 | \$ 219,437 | \$ 144,899 |
| Less: dividends received from Lakeland Holding Ltd. | (59,943) | (55,661) |
| Municipality's share of income, net of dividends | 159,494 | 89,238 |
| 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 | 1,111 | 5,247 |
| Increase in Municipality's investment | \$ 120,103 | \$ 94,485 |

THE CORPORATION OF THE MUNICIPALITY OF THE VILLAGE OF BURK'S FALLS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

8. DEFERRED REVENUE-GENERAL

In 2015 the Municipality entered into an agreement with the Ministry of Agriculture, Food and Rural Affairs to obtain funding for the reconstruction of the Yonge Street bridge. The terms of the agreement contain certain transfer stipulations, based on eligible costs and milestones. The maximum funding under this agreement is \$1,980,000 and expires in March 2018. Reconstruction of the bridge was completed in 2016.

In 2016 the Municipality entered into an agreement with the Ministry of Transportation under the Connecting Links Program to obtain funding for the rehabilitation of the Armstrong bridge. The terms of the agreement contain certain transfer stipulations, based on eligible costs and milestones. The maximum funding under this agreement is \$1,053,218 and expires in March 2018.

In 2017 the Municipality entered into an agreement with the Ministry of Agriculture, Food and Rural Affairs under the Ontario Community Infrastructure (OCIF) Top-Up Application Component to obtain funding for the rehabilitation of Ontario Street. The terms of the agreement contain certain transfer stipulations, based on eligible costs and milestones. The maximum funding under this agreement is \$1,633,936 and expires in March 2020.

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

| | 2017 | 2016 |
|---|--------------------|--------------------|
| Balance, beginning of year: | | |
| Yonge Street Bridge | \$ - | \$ 1,069,472 |
| Armstrong Bridge | 513,675 | - |
| Other deferred revenue | 3,254 | 3,120 |
| | <u>516,929</u> | <u>1,072,592</u> |
| Received or receivable during the year: | | |
| Yonge Street Bridge | - | 890,823 |
| Armstrong Bridge | 404,460 | 526,609 |
| Ontario Street | 898,665 | - |
| Other funding | 2,823 | 3,379 |
| Interest earned | 6,404 | 6,601 |
| | <u>1,312,352</u> | <u>1,427,412</u> |
| Recognized in revenue during the year | <u>(1,034,113)</u> | <u>(1,983,075)</u> |
| Balance, end of year | \$ 795,168 | \$ 516,929 |
| Armstrong Bridge | \$ - | \$ 513,675 |
| Ontario Street | 792,345 | |
| Other deferred revenue | 2,823 | 3,254 |
| Balance, end of year | \$ 795,168 | \$ 516,929 |

THE CORPORATION OF THE MUNICIPALITY OF THE VILLAGE OF BURK'S FALLS

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

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 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: | | |
| Building Code Act | \$ 8,424 | \$ 20,548 |
| Federal Gas Tax | 49,439 | 170,113 |
| | <u>57,863</u> | <u>190,661</u> |
| Received during the year: | | |
| Federal Gas Tax | 59,841 | 58,800 |
| Interest earned | 836 | 1,147 |
| | <u>60,677</u> | <u>59,947</u> |
| Recognized in revenue during the year | <u>(2,253)</u> | <u>(192,745)</u> |
| Balance, end of year | \$ 116,287 | \$ 57,863 |
| Building Code Act | \$ 6,171 | \$ 8,424 |
| Federal Gas Tax | 110,116 | 49,439 |
| Balance, end of year | \$ 116,287 | \$ 57,863 |

THE CORPORATION OF THE MUNICIPALITY OF THE VILLAGE OF BURK'S FALLS

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

10. 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 |
|---|-------------------|-------------------|
| Royal Bank of Canada term loan, renewed November 2017. Due October 2022, repayable in monthly payments of \$2,448, including interest calculated at 2.98% | \$ 132,135 | \$ 156,789 |
| Royal Bank of Canada term loan, repaid in 2017 | - | 14,016 |
| Royal Bank of Canada term loan, due January 2020, repayable in monthly payments of \$2,584, including interest calculated at 2.66% | 62,765 | 91,688 |
| Ontario Infrastructure and Lands Corporation amortizing debenture, due December 2032, repayable in semi-annual payments of \$29,396, including interest calculated at 3.12%. As security the Municipality has pledged future Provincial funding | 700,000 | - |
| | \$ 894,900 | \$ 262,493 |

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

| | Principal | Interest |
|--------------|-------------------|-------------------|
| 2018 | \$ 92,724 | \$ 26,449 |
| 2019 | 95,474 | 23,699 |
| 2020 | 69,565 | 21,187 |
| 2021 | 69,062 | 19,106 |
| 2022 | 66,359 | 16,975 |
| 2023 onwards | 501,716 | 86,203 |
| | \$ 894,900 | \$ 193,619 |

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

| | 2017 | 2016 |
|--------------------|------------------|------------------|
| Principal payments | \$ 67,593 | \$ 75,886 |
| Interest | 8,292 | 8,376 |
| | \$ 75,885 | \$ 84,262 |

THE CORPORATION OF THE MUNICIPALITY OF THE VILLAGE OF BURK'S FALLS

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

11. TANGIBLE CAPITAL LEASES

The Municipality leases streetlights and telephone equipment. This liability is accounted for on the Consolidated Statement of Financial Position at the present value of future minimum lease payments, using a discount rate of 2.66%. Future minimum lease payments are as follows:

| | 2017 | 2016 |
|---|-------------------|-------------------|
| 2017 | \$ - | \$ 16,230 |
| 2018 | 16,230 | 16,230 |
| 2019 | 16,230 | 16,230 |
| 2020 | 16,230 | 16,230 |
| 2021 | 14,345 | 14,345 |
| 2022 | 13,968 | 13,968 |
| 2023 onwards | 37,250 | 37,250 |
| Total minimum lease payments | 114,253 | 130,483 |
| Less amount representing interest | (10,610) | (13,560) |
| Present value of future minimum capital lease payments | \$ 103,643 | \$ 116,923 |

Interest of \$2,949 (2016 \$3,297) relating to capital lease obligations has been reported on the Consolidated Statement of Operations.

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 \$12,699 (2016 \$11,095) 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 liability for the retirement gratuity is estimated at \$202 (2016 NIL) at the end of the year.

THE CORPORATION OF THE MUNICIPALITY OF THE VILLAGE OF BURK'S FALLS

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

13. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final cover and landscaping of the landfill site, management of groundwater and leachates, and ongoing environmental monitoring and site inspection. Estimated expenditures related to the closure and subsequent maintenance of this site are recognized in the financial statements over the operating life of the site, in proportion to its utilized capacity.

The Township of Armour, the Village of Burk's Falls and the Township of Ryerson jointly operate a landfill site through the TRI R Committee. In 2017 an application to expand the site capacity by an additional 27,700 cubic metres was approved.

The liability for the landfill site is recorded at \$265,876 (2016 \$688,233) and represents the present value of closure and post-closure costs for 100% of the original approved site area and 8% of the newly-approved 27,700 cubic metre area, using an estimated long-term borrowing rate of 3.08% (2016 2.02%) and inflation rate of 1.6% (2016 1.6%). The total estimated future expenditures - representing the sum of the discounted future cash flows for closure and post-closure care - are \$445,664 (2016 \$688,233), leaving an amount to be recognized of \$179,788 (2016 NIL). The estimated remaining capacity of the approved site is 25,516 cubic metres (2016 NIL), estimated to be filled in 17 years. Post-closure care is estimated to be required for a period of 25 years.

The closure and post-closure liability is calculated from a number of factors which are themselves estimates, each of which can be made using different methodologies yielding highly variable results. As a result of the approval of additional site capacity in the year, and changes made in the underlying factors, the estimated liability has been reduced by \$422,357 in the year.

The Municipality has recognized \$66,469 (2016 \$172,058) in the financial statements related to its proportionate share of this liability.

The Municipality has reserves of \$93,403 (2016 \$92,068) related to the landfill site that could be used to fund this liability.

14. CONTRACTUAL OBLIGATIONS

In 2015 the Municipality entered into an agreement with RealTerm Energy Corp. for the installation and maintenance of LED streetlights within the Municipality. The agreement covers a ten-year period commencing September 1, 2015 and ending August 31, 2025. Total payments under the agreement are \$244,998, of which \$139,682 relates to capital lease repayments with respect to the installation of the streetlights (see Note 11) and \$105,316 relates to maintenance and other services to be provided under the agreement. To the end of the year \$19,055, (2016 \$10,531) of maintenance payments have been made, leaving an amount outstanding of \$86,261 (2016 \$94,785). As security for the future payments, the Municipality has pledged its streetlight assets and energy conservation equipment.

In 2017 the Municipality made a commitment to purchase approximately 11 acres of land from the Ministry of Transportation at a price of \$1,320 per acre. The purchase is expected to be finalized in 2018.

15. CONTINGENCIES

The Municipality is involved from time to time in litigation, which arises in the normal course of business. With respect to any 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 MUNICIPALITY OF THE VILLAGE OF BURK'S FALLS

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

16. TANGIBLE CAPITAL ASSETS

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

| 2017 | | | | | | | | |
|------------------------------------|----------------------------|---------------------|-------------------------|-------------------|----------------------|-------------------------------------|---------------------------|----------------------|
| | Land and Land Improvements | Buildings | Machinery and Equipment | Vehicles | Roads and Bridges | Water and Wastewater Infrastructure | Assets Under Construction | TOTAL |
| COST | | | | | | | | |
| Balance, beginning of year | \$ 1,193,076 | \$ 4,102,218 | \$ 778,577 | \$ 330,171 | \$ 15,441,907 | \$ 5,773,590 | \$ 1,210,032 | \$ 28,829,571 |
| Additions and betterments | 31,434 | 57,049 | 17,061 | - | 1,028,062 | 466,867 | 125,382 | 1,725,855 |
| Disposals and writedowns | (69,257) | (44,044) | (96,241) | - | (737,990) | (30,064) | - | (977,596) |
| Transfer between classes | - | - | - | - | 14,655 | 1,187,813 | (1,202,468) | - |
| BALANCE, END OF YEAR | 1,155,253 | 4,115,223 | 699,397 | 330,171 | 15,746,634 | 7,398,206 | 132,946 | 29,577,830 |
| ACCUMULATED AMORTIZATION | | | | | | | | |
| Balance, beginning of year | 691,442 | 1,063,507 | 344,283 | 180,664 | 4,794,006 | 1,979,315 | - | 9,053,217 |
| Annual amortization | 24,091 | 101,460 | 38,222 | 19,099 | 298,208 | 146,868 | - | 627,948 |
| Amortization disposals | (66,485) | (9,354) | (96,241) | - | (221,661) | (26,549) | - | (420,290) |
| BALANCE, END OF YEAR | 649,048 | 1,155,613 | 286,264 | 199,763 | 4,870,553 | 2,099,634 | - | 9,260,875 |
| TANGIBLE CAPITAL ASSETS-NET | \$ 506,205 | \$ 2,959,610 | \$ 413,133 | \$ 130,408 | \$ 10,876,081 | \$ 5,298,572 | \$ 132,946 | \$ 20,316,955 |

| 2016 | | | | | | | | |
|------------------------------------|----------------------------|---------------------|-------------------------|-------------------|----------------------|-------------------------------------|---------------------------|----------------------|
| | Land and Land Improvements | Buildings | Machinery and Equipment | Vehicles | Roads and Bridges | Water and Wastewater Infrastructure | Assets Under Construction | TOTAL |
| COST | | | | | | | | |
| Balance, beginning of year | \$ 1,178,903 | \$ 4,081,670 | \$ 701,432 | \$ 333,736 | \$ 13,303,168 | \$ 5,771,149 | \$ 96,309 | \$ 25,466,367 |
| Additions and betterments | 14,173 | 42,069 | 46,280 | 2,776 | 2,147,263 | 9,125 | 1,207,514 | 3,469,200 |
| Disposals and writedowns | - | (21,521) | (10,348) | (6,341) | (61,102) | (6,684) | - | (105,996) |
| Transfer between classes | - | - | 41,213 | - | 52,578 | - | (93,791) | - |
| BALANCE, END OF YEAR | 1,193,076 | 4,102,218 | 778,577 | 330,171 | 15,441,907 | 5,773,590 | 1,210,032 | 28,829,571 |
| ACCUMULATED AMORTIZATION | | | | | | | | |
| Balance, beginning of year | 655,195 | 970,354 | 311,535 | 165,017 | 4,577,762 | 1,855,092 | - | 8,534,955 |
| Annual amortization | 36,247 | 100,987 | 39,861 | 20,861 | 277,346 | 126,179 | - | 601,481 |
| Amortization disposals | - | (7,834) | (7,113) | (5,214) | (61,102) | (1,956) | - | (83,219) |
| BALANCE, END OF YEAR | 691,442 | 1,063,507 | 344,283 | 180,664 | 4,794,006 | 1,979,315 | - | 9,053,217 |
| TANGIBLE CAPITAL ASSETS-NET | \$ 501,634 | \$ 3,038,711 | \$ 434,294 | \$ 149,507 | \$ 10,647,901 | \$ 3,794,275 | \$ 1,210,032 | \$ 19,776,354 |

Included in tangible capital assets are leased tangible capital assets with a cost of \$155,974 (2016 \$155,974) and accumulated amortization of \$20,808 (2016 \$12,485).

THE CORPORATION OF THE MUNICIPALITY OF THE VILLAGE OF BURK'S FALLS

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

17. ACCUMULATED SURPLUS

The 2017 continuity of accumulated surplus reported on the Consolidated Statement of Financial Position is as follows:

| | Balance Beginning of Year | Annual Surplus (Deficit) | Balance End of Year |
|---|---------------------------------|--------------------------------|------------------------|
| RESERVES AND RESERVE FUNDS | | | |
| Working capital | \$ 162,834 | \$ - | \$ 162,834 |
| General government | 5,000 | - | 5,000 |
| Fire | 37,388 | 1,766 | 39,154 |
| Fire Department | 5,398 | 1,968 | 7,366 |
| Roads | 88,668 | 53,001 | 141,669 |
| Parabus | 10,055 | 3,965 | 14,020 |
| Waste disposal | 92,068 | 1,335 | 93,403 |
| Recycling | 43,741 | - | 43,741 |
| Hazardous waste | 8,000 | - | 8,000 |
| Water | - | 115,355 | 115,355 |
| Cemetery | 3,171 | - | 3,171 |
| Playground | 10,000 | 2,500 | 12,500 |
| Walking bridge | 15,000 | 5,000 | 20,000 |
| Recreation programs | - | 5,253 | 5,253 |
| Arena | 32,365 | 1,591 | 33,956 |
| Theatre | 4,054 | - | 4,054 |
| Library Board | 9,211 | 3 | 9,214 |
| Steering Committee | 240 | - | 240 |
| Economic development | 1,620 | - | 1,620 |
| | 528,813 | 191,737 | 720,550 |
| OTHER | | | |
| Consolidated tangible capital assets | 19,776,354 | 540,601 | 20,316,955 |
| General operating surplus (deficit) - | | | |
| Municipality | 130,209 | (5,015) | 125,194 |
| Water | (323,751) | 323,751 | - |
| Cemetery | 1,931 | 3,788 | 5,719 |
| Library | 827 | 1,483 | 2,310 |
| Equity in Lakeland Holding Ltd. | 1,543,568 | 120,103 | 1,663,671 |
| Unfunded amounts - | | | |
| Municipal debt | (262,493) | (632,407) | (894,900) |
| Tangible capital leases | (116,923) | 13,280 | (103,643) |
| Employee benefits payable | (11,095) | (1,806) | (12,901) |
| Landfill closure and post-closure liabilities | (172,058) | 105,589 | (66,469) |
| | \$ 21,095,382 | \$ 661,104 | \$ 21,756,486 |

THE CORPORATION OF THE MUNICIPALITY OF THE VILLAGE OF BURK'S FALLS

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

18. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT

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

General Government

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

Protection to Persons and Property

This segment includes fire, police, building inspection, 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 sanitary sewers, waterworks and solid waste management.

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 equipment usage to specific segments.

THE CORPORATION OF THE MUNICIPALITY OF THE VILLAGE OF BURK'S FALLS

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

18. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2017

| | General Government | Protection to Persons and Property | Transportation Services | Environmental Services | Health Services | Social and Family Services | Recreation and Cultural Services | Planning and Development | Unallocated Amounts | Consolidated |
|--|-----------------------|--|----------------------------|---------------------------|---------------------|----------------------------------|--|--------------------------------|------------------------|-------------------|
| REVENUE | | | | | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ 2,352 | \$ - | \$ - | \$ - | \$ - | \$ 1,170,201 | \$ 1,172,553 |
| User charges | 2,145 | 78 | 3,820 | 545,214 | 950 | - | 49,391 | 50 | - | 601,648 |
| Government transfers - | | | | | | | | | | |
| Canada | - | 61 | - | 127,130 | - | - | 1,058 | 26,501 | 1,764 | 156,514 |
| Ontario | - | 3,210 | 1,008,997 | 199,871 | - | - | 4,572 | 33,046 | 537,900 | 1,787,596 |
| Other municipalities | - | 14,542 | - | - | 200 | - | 1,197 | 3,241 | - | 19,180 |
| Lakeland Holding Ltd. - share of income, net of dividends | - | - | - | - | - | - | - | - | 159,494 | 159,494 |
| Lakeland Holding Ltd. - loss on redistribution of shares | - | - | - | - | - | - | - | - | (40,570) | (40,570) |
| Gain (loss) on disposal of capital assets | (840) | - | (519,102) | (3,515) | (33,849) | - | 38 | - | - | (557,268) |
| Other | 7,351 | 30,368 | 6,730 | 117,376 | 171,468 | - | 11,849 | 4,268 | 92,923 | 442,333 |
| TOTAL REVENUE | 8,656 | 48,259 | 500,445 | 988,428 | 138,769 | - | 68,105 | 67,106 | 1,921,712 | 3,741,480 |
| EXPENSES | | | | | | | | | | |
| Salaries, wages and benefits | 281,382 | 95,549 | 40,254 | 272,264 | 31,349 | 161 | 83,793 | 16,696 | - | 821,448 |
| Long-term debt charges (interest) | 275 | - | 3,153 | 3,485 | 4,296 | - | 32 | - | - | 11,241 |
| Materials | 71,337 | 28,903 | 82,014 | 153,535 | 99,378 | 4,520 | 69,808 | 15,064 | - | 524,559 |
| Contracted services | 74,496 | 279,559 | 99,295 | 340,131 | 65,239 | 3,091 | 34,276 | 90,700 | - | 986,787 |
| Rents and financial expenses | 728 | 928 | 1,234 | 7,551 | 315 | - | 1,065 | 2,110 | - | 13,931 |
| External transfers | 4,614 | 28 | - | - | 27,251 | 57,710 | 5,000 | 1,038 | - | 95,641 |
| Interfunctional adjustments | (1,825) | 796 | (6,901) | 6,901 | (796) | - | 1,525 | 300 | - | - |
| Amortization | 12,642 | 13,655 | 318,128 | 166,932 | 64,743 | - | 38,922 | 12,926 | - | 627,948 |
| TOTAL EXPENSES | 443,649 | 419,418 | 537,177 | 950,799 | 291,775 | 65,482 | 234,421 | 138,834 | - | 3,081,555 |
| ANNUAL SURPLUS (DEFICIT) | \$ (434,993) | \$ (371,159) | \$ (36,732) | \$ 37,629 | \$ (153,006) | \$ (65,482) | \$ (166,316) | \$ (71,728) | \$ 1,921,712 | \$ 659,925 |

THE CORPORATION OF THE MUNICIPALITY VILLAGE OF BURK'S FALLS

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

18. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2016

| | General Government | Protection to Persons and Property | Transportation Services | Environmental Services | Health Services | Social and Family Services | Recreation and Cultural Services | Planning and Development | Unallocated Amounts | Consolidated |
|------------------------------------|-----------------------|--|----------------------------|---------------------------|---------------------|----------------------------------|--|--------------------------------|------------------------|---------------------|
| REVENUE | | | | | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ 1,191 | \$ - | \$ - | \$ - | \$ - | \$ 1,080,351 | \$ 1,081,542 |
| User charges | 1,667 | 549 | 5,774 | 521,040 | 1,705 | - | 51,145 | 2,710 | - | 584,590 |
| Government transfers - | | | | | | | | | | |
| Canada | - | 71 | 180,621 | 421,100 | - | - | 1,092 | 15,096 | 2,009 | 619,989 |
| Ontario | - | 2,738 | 1,968,773 | 504,565 | - | - | 4,709 | 2,443 | 492,900 | 2,976,128 |
| Other municipalities | - | 15,036 | - | - | 200 | - | 2,924 | 520 | - | 18,680 |
| Lakeland Holding Ltd. - | | | | | | | | | | |
| share of income, net of dividends | - | - | - | - | - | - | - | - | 89,238 | 89,238 |
| Loss on disposal of capital assets | - | (677) | - | (8,955) | (12,677) | - | (18) | - | - | (22,327) |
| Other | 8,902 | 47,330 | 16,704 | 7,857 | 145,504 | - | 9,471 | 1,140 | 89,618 | 326,526 |
| TOTAL REVENUE | 10,569 | 65,047 | 2,171,872 | 1,446,798 | 134,732 | - | 69,323 | 21,909 | 1,754,116 | 5,674,366 |
| EXPENSES | | | | | | | | | | |
| Salaries, wages and benefits | 283,077 | 102,610 | 38,141 | 261,413 | 37,434 | - | 80,164 | 18,021 | - | 821,093 |
| Long-term debt charges (interest) | 689 | 47 | 3,600 | 2,275 | 5,022 | - | 40 | - | - | 11,673 |
| Materials | 66,182 | 30,301 | 87,667 | 115,091 | 78,060 | 5,303 | 76,885 | 12,728 | - | 472,217 |
| Contracted services | 77,253 | 278,688 | 109,808 | 275,110 | 62,571 | 3,415 | 9,214 | 20,411 | - | 836,470 |
| Rents and financial expenses | 953 | 917 | - | 3,709 | - | - | 2,570 | - | - | 8,149 |
| External transfers | 3,065 | 19 | - | - | 27,251 | 55,738 | 5,000 | - | - | 91,073 |
| Interfunctional adjustments | (1,767) | 796 | (6,901) | 6,901 | (796) | - | 1,467 | 300 | - | - |
| Amortization | 15,085 | 15,396 | 296,771 | 156,436 | 64,638 | - | 38,952 | 14,203 | - | 601,481 |
| TOTAL EXPENSES | 444,537 | 428,774 | 529,086 | 820,935 | 274,180 | 64,689 | 214,292 | 65,663 | - | 2,842,156 |
| ANNUAL SURPLUS (DEFICIT) | \$ (433,968) | \$ (363,727) | \$ 1,642,786 | \$ 625,863 | \$ (139,448) | \$ (64,689) | \$ (144,969) | \$ (43,754) | \$ 1,754,116 | \$ 2,832,210 |

THE CORPORATION OF THE MUNICIPALITY OF THE VILLAGE OF BURK'S FALLS

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

19. RELATED PARTY TRANSACTIONS

The related party transactions below are in the normal course of operations and 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.

- (a) In 2017, the Municipality received dividends of \$59,943 (2016 \$55,661), made sales of \$1,338 (2016 \$1,657) and purchased power in the amount of \$156,213 (2016 \$177,579) from Lakeland Holding Ltd., a government business enterprise of the Municipality.
- (b) In 2017, the Municipality purchased garbage pickup services from a company owned by a Councillor at a cost of \$48,700 (2016 \$47,282) plus applicable tax.

20. BUDGET FIGURES

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

| | Budget |
|---|-------------------|
| ADOPTED BUDGET: | |
| Decrease in general municipal operating surplus | \$ (130,209) |
| Decrease in water and wastewater deficit | 323,751 |
| Increase in reserves and reserve funds | 65,693 |
| Increase in board and joint board general operating surplus | 314 |
| ADJUSTMENTS: | |
| Acquisition of tangible capital assets | 1,873,249 |
| Amortization of tangible capital assets | (627,720) |
| Increase in municipal debt | (540,109) |
| Tangible capital lease repayment | 13,281 |
| ANNUAL SURPLUS | \$ 978,250 |

THE CORPORATION OF THE MUNICIPALITY OF THE VILLAGE OF BURK'S FALLS

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

21. PENSION AGREEMENTS

The Municipality makes contributions to the Ontario Municipal Employee Retirement Fund (OMERS), which is a multi-employer plan, on behalf of certain members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2017. The results of this valuation disclosed total actuarial liabilities of \$94,431 million with respect to benefits accrued for service with actuarial assets at that date of \$89,028 million indicating an actuarial deficit of \$5,403 million. Because OMERS is a multi-employer plan, any Plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the Plan surplus or deficit.

The amount contributed to OMERS for 2017 was \$44,838 (2016 \$45,317) for current service and is included as an expense on the Consolidated Statement of Operations.

22. COMPARATIVE FIGURES

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