



TOWN OF PARRY SOUND
Consolidated Financial Statements
For the year ended December 31, 2017

Corporation of the Town of Parry Sound

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Independent Auditor's Report

To the Mayor and Councilors of The Corporation of the Town of Parry Sound

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Parry Sound, which comprise the statement of financial position as at December 31, 2017, and the statement of operations, 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 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.

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 Town of Parry Sound as at December 31, 2017 and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 2 of the consolidated financial statements, which explains that certain comparative information for the year ended December 31, 2016 has been restated. Our opinion is not modified in respect to this matter.

Chartered Professional Accountants, Licensed Public Accountants

BDO Canada LLP

September 4, 2018

Barrie, Ontario

**Corporation of the Town of Parry Sound
Consolidated Statement of Financial Position**

December 31	2017	2016 Restated (Note 2)
Financial assets		
Cash and cash equivalents (Note 3)	\$ 9,805,135	\$ 15,411,854
Short term investments (Note 4)	6,289,377	2,733,768
Taxes receivable	422,537	570,012
Accounts receivable	3,368,371	2,448,562
Inventories held for resale	47,477	61,930
Long-term receivables	77,758	77,627
Investment in Lakeland Holding (Note 5)	5,855,104	5,855,104
	25,865,759	27,158,857
Liabilities		
Accounts payable and accrued liabilities	3,656,232	3,727,117
Accrued Interest on debt	191,066	199,062
WSIB future benefits liability (Note 7)	283,500	266,000
Deferred revenue - general	428,428	425,420
Deferred revenue - obligatory reserve funds (Note 9)	560,288	262,441
Long-term debt (Note 10)	14,025,191	14,408,268
	19,144,705	19,288,308
Net financial assets	6,721,054	7,870,549
Non-financial assets		
Tangible capital assets (Note 14)	123,882,627	121,707,588
Prepaid expenses	296,374	328,211
	124,179,001	122,035,799
Accumulated surplus (Note 15)	\$ 130,900,055	\$ 129,906,348
Contingent liabilities (Note 12)		

The accompanying notes are an integral part of these consolidated financial statements.

Corporation of the Town of Parry Sound
Consolidated Statement of Operations and Accumulated Surplus

For the Year Ended December 31	Budget 2017 (Note 21)	2017	2016 Restated (Note 2)
Revenue			
Property Taxation (Note 17)	\$ 10,156,242	\$ 10,196,120	\$ 9,952,994
Taxation from other governments	313,500	376,848	345,368
Revenue from other municipalities (Note 20)	3,693,900	3,786,225	3,675,133
User charges	6,944,098	7,093,656	6,915,299
Government grants - Federal	458,950	1,103,039	956,498
Government grants - Provincial (Note 20)	6,937,118	7,653,613	8,380,060
Investment income	164,475	216,574	213,377
Penalties and interest on taxes/utilities	130,000	135,109	138,039
Donations	68,700	190,697	372,116
Fines (Note 19)	1,444,800	1,295,961	1,237,556
Other	-	9,562	8,656
Dividend income - Lakeland Holding (Note 5)	180,000	236,292	219,414
	30,491,783	32,293,696	32,414,510
Expenses			
General government	2,054,676	2,288,178	2,619,570
Protection services (Note 19)	4,558,051	4,411,038	4,417,547
Transportation services	4,014,772	4,573,358	4,535,475
Environmental services	6,029,233	6,232,077	5,854,753
Health services (Note 20)	8,910,281	8,902,222	8,615,139
Social and family services	456,650	461,602	469,702
Recreation and cultural services	3,253,113	3,723,584	3,530,200
Planning and development	829,383	707,930	624,433
	30,106,159	31,299,989	30,666,819
Annual Surplus	385,624	993,707	1,747,691
Accumulated surplus, beginning of the year, as previously stated	129,906,348	129,906,348	127,250,141
Prior period adjustment (Note 2)	-	-	908,516
Accumulated surplus, beginning of the year	129,906,348	129,906,348	128,158,657
Accumulated surplus, end of the year	\$130,291,972	\$130,900,055	\$129,906,348

The accompanying notes are an integral part of these consolidated financial statements.

**Corporation of the Town of Parry Sound
Consolidated Statement of Change in Net Financial Assets**

For the Year Ended December 31	Budget 2017 (Note 21)	2017	2016 Restated (Note 2)
Annual Surplus	\$ 385,624	\$ 993,707	\$ 1,747,691
Acquisition of tangible capital assets	(21,101,514)	(7,962,327)	(7,945,339)
Amortization of tangible assets	4,637,348	5,175,052	4,987,822
Loss on disposal of tangible capital assets	-	256,889	683,618
Proceeds on sale of tangible capital assets	-	355,347	113,187
	<u>(16,078,542)</u>	<u>(1,181,332)</u>	<u>(413,021)</u>
Use (Acquisition) of prepaid expenses	-	31,837	(4,223)
Net change in net financial assets	(16,078,542)	(1,149,495)	(417,244)
Net financial assets, beginning of the year	7,870,549	7,870,549	8,287,793
Net financial assets, end of the year	<u>\$ (8,207,993)</u>	<u>\$ 6,721,054</u>	<u>\$ 7,870,549</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Corporation of the Town of Parry Sound
Consolidated Statement of Cash Flows**

For the Year Ended December 31	2017	2016 Restated (Note 2)
Operating transactions		
Annual surplus	\$ 993,707	\$ 1,747,691
Items not involving cash		
Amortization	5,175,052	4,987,822
Loss on disposal of tangible capital assets	256,889	683,618
Changes in non-cash operating balances		
Taxes receivable	147,475	192,721
Accounts receivable	(919,809)	(350,109)
Inventories	14,453	-
Prepaid expenses	31,837	(4,223)
Long-term receivables	(131)	(200)
Accounts payable and accrued liabilities	(78,881)	1,309,182
Workplace safety insurance future benefits liability	17,500	266,000
Deferred revenue	3,008	(737,708)
Deferred revenue - obligatory reserve funds	297,847	132,415
	<u>5,938,947</u>	<u>8,227,209</u>
Capital transactions		
Acquisition of tangible capital assets	(7,962,327)	(7,945,339)
Proceeds on sale of tangible capital assets	355,347	113,187
	<u>(7,606,980)</u>	<u>(7,832,152)</u>
Investing transactions		
Increase in short term investments	(3,555,609)	(2,493,365)
Financing transactions		
Proceeds from issuance of long-term debt	572,056	1,600,000
Repayment of long-term debt	(955,133)	(910,124)
Temporary loans	-	(1,600,000)
	<u>(383,077)</u>	<u>(910,124)</u>
Net change in cash and cash equivalents	(5,606,719)	(3,008,432)
Cash and cash equivalents, beginning of the year	15,411,854	18,420,286
Cash and cash equivalents, end of the year	\$ 9,805,135	\$ 15,411,854

The accompanying notes are an integral part of these consolidated financial statements.

Corporation of the Town of Parry Sound

Notes to Consolidated Financial Statements

December 31, 2017

1. Significant Accounting Policies

Management's Responsibility for the Financial Statements

The consolidated financial statements of The Corporation of the Town of Parry Sound (the "Town") are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The Town is a municipality in the Province of Ontario, Canada. It conducts its operations guided by provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation. The Town provides municipal services such as fire, public works, planning, parks, recreation and other general government services.

Basis of Consolidation

The consolidated financial statements reflect the assets, liabilities, revenue, expenses and surplus of the reporting entity. The reporting entities comprised of all organizations, committees and boards accountable for the administration of their financial affairs and resources to the Town and which are owned or controlled by the Town. In addition to the general government tax supported operations, the larger enterprise includes the following:

- Administration of Land Ambulance Services
- Administration of The Provincial Offences Act
- Parry Sound Public Library Board
- Parry Sound Business Improvement Area Board

All inter-departmental and inter-organizational transactions and balances have been eliminated.

Basis of Accounting

Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenues; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred, or transfers are due.

Portfolio Investments

Portfolio investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

Corporation of the Town of Parry Sound

Notes to Consolidated Financial Statements

December 31, 2017

1. Significant Accounting Policies (continued)

Short Term Investments

Short term investments are recorded at lower of cost and market value.

Reserves and Reserve Funds

Certain amounts, as approved by a Council, are set aside in reserves and reserve funds for future operations and capital purposes. Further disclosure of the amounts are part of accumulated surplus in Note 15 of the consolidated financial statements.

Trust Funds

Trust funds and their related operations administered by the Town are not included in these financial statements but are reported separately on the Trust Funds Balances and Continuity.

Cash and Cash Equivalents

Management considers all highly liquid investments with maturity of three months or less to be cash equivalents.

Non-financial Assets

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

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Land improvements	20 to 50 years
Buildings and facilities	15 to 75 years
Fleet	5 to 20 years
Machinery and equipment	3 to 30 years
Transportation infrastructure	15 to 80 years
Environmental infrastructures	30 to 80 years

Corporation of the Town of Parry Sound

Notes to Consolidated Financial Statements

December 31, 2017

1. Significant Accounting Policies (continued)

Tangible Capital Assets Under Construction

Tangible capital assets under construction are recorded at cost. When construction is completed, the tangible capital asset under construction will be transferred to tangible capital assets and amortized based on its classification.

Contributed Tangible Capital Assets

Tangible capital assets received as contributions are recorded at their fair market value at the date the Town assumes ownership and recorded as revenue.

Leases

Leases are classified as operating or capital leases. Leases which transfer substantially all of the benefits and risks incidental to ownership or property are accounted for as capital leases. All other leases are accounted for as operating leases and the related payments are charges to expense as incurred.

Collection of Taxes on Behalf of Other Taxation Authorities

The Town collects taxation revenue on behalf of the school boards. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of these entities are not reflected in these financial statements.

Pension Plan

The Town is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of assets and administration of the benefits. The Town has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Town records as pension expense the amount paid to OMERS during the year plus any amounts owing to OMERS for the year ended.

Corporation of the Town of Parry Sound

Notes to Consolidated Financial Statements

December 31, 2017

1. Significant Accounting Policies (continued)

Deferred Revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

Government Transfers

Revenue is recognized 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 statement of operations as the stipulation liabilities are settled.

Revenue Recognition

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.

Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.

Sales of service and other revenue is recognized on an accrual basis, when services have been rendered.

Investment income is reported as revenue in the year earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the deferred revenue balance.

POA fine revenue is recognized on a cash basis when receipt of funds is recorded by the provincial ICON system regardless of the location where payment is made. This is because until cash is received there is considerable uncertainty around collection.

Grants are recognized as revenue when approved, to the extent the related expenses have been incurred and collection can be reasonably assured.

Corporation of the Town of Parry Sound

Notes to Consolidated Financial Statements

December 31, 2017

1. Significant Accounting Policies (continued)

Liability for Contaminated Sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the Town is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of these financial statements include the useful life and valuation of tangible capital assets, and contributed tangible capital assets, and significant accruals, including WSIB obligation. Actual results could differ from management's best estimates as additional information becomes available in the future.

Workplace Safety and Insurance Board

The Town bears the cost of certain insurance and pension benefits awarded under the workplace safety and insurance legislation. The Town has adopted the following valuation methods and assumptions.

Funding Policy:

The WSIB plan is funded on a pay-as-you-go basis. The Town funds on a cash basis as benefits are paid. No assets have been formally segregated and restricted to provide these benefits.

Accounting Policies:

The costs of WSIB obligations are actuarially determined based on the above and are expensed in the period they occur. Any actuarial gains and losses that are related to WSIB benefits are recognized immediately in the period they arise. The Town's fiscal year is December 31 and this is the measurement date of the Town's obligation.

**Corporation of the Town of Parry Sound
Notes to Consolidated Financial Statements**

December 31, 2017

1. Significant Accounting Policies (continued)

Workplace Safety and Insurance Board (continued)

Plan amendments are immediately recognized in the year of the effective change. Any actuarial gain at the time of introduction of a plan amendment that results in a past service loss, the gain is offset against the past service loss before any recognition of the amendment takes place.

Inventories Held for Resale

Inventories held for resale are measured at the lower of cost and net realizable value, with cost being determined using the first in first out method.

2. Restatement of Prior Periods

During the year, it was noted that there was contributed assets from the building of Parry Sound Public School that had not been recorded when the assets were transferred to the Town. The assets have been considered contributed to the Town as of September 1, 2015. Prior period adjustments have been recorded to capitalize the infrastructure in the Town's records using the construction costs provided in the development agreement between the Town and the Near North District School Board. The impact of the above noted prior period adjustments was as follows:

	<u>2016</u>
Consolidated Statement of Financial Position	
Increase in tangible capital assets	\$ 895,188
Increase in accumulated surplus, December 31, 2016	<u>\$ 895,188</u>
Consolidated Statement of Operations and Accumulated Surplus	
Increase in expenses	13,328
Decrease in annual surplus	<u>(13,328)</u>
Increase in opening accumulated surplus, January 1, 2016	<u>\$ 908,516</u>

**Corporation of the Town of Parry Sound
Notes to Consolidated Financial Statements**

December 31, 2017

3. Cash and Cash Equivalents

	<u>2017</u>	<u>2016</u>
General accounts	\$ 5,683,197	\$ 9,228,570
Reserve funds	4,063,938	5,931,257
Obligatory reserve funds	58,000	252,027
	<u>\$ 9,805,135</u>	<u>\$ 15,411,854</u>

4. Short Term Investments

Short term investments comprise the following:

	<u>2017</u>	<u>2016</u>
Guaranteed Investment Certificates, interest rates ranging from 1.3% to 2.03%, maturing from January 2018 to October 2022	\$ 4,225,641	\$ 2,624,782
Marketable securities, (quoted market value \$1,126,755)	1,061,388	108,986
Government Corporate Bonds, with effective yield rates ranging from 1.61% to 3.04%, maturing from December 11, 2018 to October 18, 2024, (quoted market value \$995,897)	1,002,348	-
	<u>\$ 6,289,377</u>	<u>\$ 2,733,768</u>

5. Investment in Lakeland Holding Ltd.

In December of 2013, The Town and Parry Sound Hydro Corporation ("Hydro") entered into a merger agreement with Lakeland Holding Ltd. ("Lakeland"). In exchange for its 100% ownership of Hydro, the Town initially received 13.5% ownership of Lakeland. Based on an Independent Electricity System Operator it was confirmed that the upgrade to the Cascade Generation Station was completed on October 13, 2017, increasing ownership of Lakeland to 15.57%. As a result of the initial transaction the Town's investment in Lakeland is recorded as a portfolio investment at cost of \$5,855,104.

6. Bank Indebtedness

The Town has established a bank operating credit facility of up to \$4,000,000 bearing interest at the bank's prime rate less 0.25%. As at December 31, 2017 there was \$NIL (2016 - \$NIL) drawn on the operating credit facility.

**Corporation of the Town of Parry Sound
Notes to Consolidated Financial Statements**

December 31, 2017

7. Workplace Safety Insurance Future Benefits Liability

	<u>2017</u>	<u>2016</u>
WSIB accrued benefit obligation and liability beginning of year	\$ 266,000	\$ 257,500
WSIB expenses for the year net of benefits paid	17,500	8,500
WSIB accrued benefit obligation and liability end of year	<u>\$ 283,500</u>	<u>\$ 266,000</u>

The WSIB benefit expense is reported as a component of current expenses on the statements of financial activities. Composition of the amount is as follows:

	<u>2017</u>	<u>2016</u>
Current year WSIB benefit cost	\$ 15,000	\$ 14,500
Interest on accrued WSIB benefit obligation	8,300	8,000
WSIB benefit paid	<u>(5,800)</u>	<u>(14,000)</u>
Total WSIB expenses	<u>\$ 17,500</u>	<u>\$ 8,500</u>

The Town is a Schedule 2 employer under the Workplace Safety and Insurance Act and as such assumes responsibility for financing its workplace safety and insurance costs. The costs and liabilities related to WSIB are based on an actuarial valuation prepared by an independent firm. The date of the most recent actuarial valuation was as of December 31, 2016.

The actuarial valuation was based on assumptions about future events. The economic assumptions used in this valuation are the management's best estimates of expected rates of:

Expected future inflation rates	2.0%
Discount on accrued benefit obligations	3.0%
WSIB Health care cost escalation	4.0%

8. Pension Plan

The Town makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer pension plan. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employee based on length of service and rates of pay. OMERS provides pension services to more than 482,000 active and retired members and approximately 1,000 employers.

**Corporation of the Town of Parry Sound
Notes to Consolidated Financial Statements**

December 31, 2017

8. Pension Plan (continued)

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 in respect of 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 pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Town does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the Town to OMERS for 2017 were \$464,012 (2016 - \$403,921) and are included as an expense on the Consolidated Statement of Operations.

9. Deferred Revenue - Obligatory Reserve Funds

	Opening Balance	Contributions Received	Investment Income	Revenue Recognized	Ending Balance
Federal gas tax	\$ -	\$ 383,117	\$ -	\$ (95,954)	\$ 287,163
Provincial gas tax	36,855	4,828	392	-	42,075
Development charges	104,046	-	1,284	-	105,330
Recreational land	121,540	1,518	2,662	-	125,720
	\$ 262,441	\$ 389,463	\$ 4,338	\$ (95,954)	\$ 560,288

Federal gas tax

Gas tax revenue is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Town and the Province of Ontario. Gas tax funding may be used towards designated community energy, water, wastewater, solid waste and capacity building projects as specified in the funding agreements.

Provincial gas tax

Gas tax revenue is provided by the Ministry of Transportation. The use of the funding is established by a funding agreement between the Town and the Province of Ontario. Gas tax funding may be used towards public transportation service (transit) eligible expenditures.

Development charges

Revenue recognition for development charges occurs after the funds have been collected and when the Town has approved the expenditures for the capital work for which the development charges were raised. These funds have been set aside, as required by the Development Charges Act, to defray the cost of growth related capital projects associated with new developments.

**Corporation of the Town of Parry Sound
Notes to Consolidated Financial Statements**

December 31, 2017

9. Deferred Revenue - Obligatory Reserve Funds (continued)

Recreational land

The parkland reserve funds have been set aside as required by Provincial legislation which restricts how these funds may be used and, under certain circumstances, how these funds may be refunded.

10. Long-term Debt

	2017	2016
Debenture for Water Filtration Plant; interest at 1.5% for the first year, then increasing annually to reach 6.7% by 2020; annual principal payments commencing at \$248,000 and increasing annually, matures July 2020.	\$ 928,000	\$ 1,215,000
Debenture for McDougall Water Works Project; semi-annual principal payments of \$50,000 plus interest at 4.61% per annum; matures December 2026.	900,000	1,000,000
Debenture for Waste Water Treatment Plant; semi-annual principal payments of \$62,500 plus interest at 5.19% per annum; matures February 2050.	4,062,500	4,187,500
Debenture for Gibson St.; semi-annual principal payments of \$28,750 plus interest at 4.61% per annum; matures October 2027.	575,004	632,504
Bank Loan; interest at 2.67%, blended monthly payments of \$3,293, matures June 2020.	324,489	346,450
Debenture for Riverdale Rd.; semi-annual principal payments of \$17,500 plus interest of 5.54% per annum; matures December 2028.	385,000	420,000
Debenture for Municipal offices; semi-annual principal payments of \$50,000 plus interest at 4.61% per annum; matures December 2028.	3,300,000	3,400,000
Debenture for Bobby Orr Community Centre; semi-annual principal payments of \$58,750 plus interest at 4.15% per annum; matures September 2030.	1,527,500	1,645,000
Obligation under capital lease - Honda Canada; interest at 2.99%; blended monthly payments of \$408; matures March 2020.	10,642	15,147
Debenture for Forest St. reconstruction; semi-annual principal payments of \$53,333 plus interest at 2.78% per annum; matures March 2031.	1,440,000	1,546,667
Debenture for Big Sound Marina, BOCC Roof and Downtown Public Washroom build; semi-annual principal payments of \$14,301 plus interest at 3.15% per annum; matures December 2037.	572,056	-
	\$ 14,025,191	\$ 14,408,268

The gross interest expensed relating to the above long-term debt was \$ 634,442 (2016 - \$ 674,396). Interest paid during the year is \$642,438 (2016 - \$665,496).

**Corporation of the Town of Parry Sound
Notes to Consolidated Financial Statements**

December 31, 2017

10. Long-term Debt (continued)

Principal repayments for the next five years and thereafter are as follows:

2018	\$ 1,296,400
2019	984,052
2020	993,488
2021	670,270
2022	670,270
Thereafter	<u>9,410,711</u>
	<u>\$ 14,025,191</u>

11. Collateral Guarantee

The Town and other participating municipalities have provided the Canadian Imperial Bank of Commerce guarantees for the long-term loan owing of \$1,601,755 by Belvedere Heights Home for the Aged, based on their 1977 equalized assessments. The amount of the Town's guarantee is limited to \$582,912.

12. Contingent Liabilities

From time to time, the Town is subject to claims and other lawsuits that arise in the ordinary course of business, some of which may seek damages in substantial amounts. These claims may be covered by the Town's insurance. Liability for these claims and lawsuits is recorded to the extent that the probability of a loss is likely and can be estimated. With respect to claims as at December 31, 2017, management believes that the Town has valid defences and appropriate and adequate insurance coverage in place. Therefore no amount has been accrued in the financial statements.

13. Funds Held in Trust

At the year end, the Town held \$289,803 (2016 - \$283,872) in trust. These funds are not included in the consolidated statement of financial position and statement of operations.

**Corporation of the Town of Parry Sound
Notes to Consolidated Financial Statements**

December 31, 2017

14. Tangible Capital Assets

	Land	Land Improvements	Building and Facilities	Machinery and Equipment	Fleet	Library Books	Transportation infrastructure	Environmental Infrastructure	Assets Under Construction	Total 2017
Cost, beginning of year	\$ 6,018,518	\$ 6,697,127	\$ 65,163,870	\$ 6,870,881	\$ 5,412,660	\$ 154,645	\$ 59,500,113	\$ 39,259,963	\$ 4,209,189	\$ 193,286,966
Additions	1,115,090	152,980	391,096	659,342	577,458	19,737	932,796	2,714	4,111,114	7,962,327
Disposals	(4,242)	(100)	(322,360)	(251,548)	(665,390)	(18,362)	(1,084,765)	(105,805)	-	(2,452,572)
Transfer	-	-	239,294	2,395	-	-	1,751,185	1,372,168	(3,365,042)	-
Other adjustment	-	-	-	-	-	-	-	-	(32,226)	(32,226)
Cost, end of year	7,129,366	6,850,007	65,471,900	7,281,070	5,324,728	156,020	61,099,329	40,529,040	4,923,035	198,764,495
Accumulated amortization, beginning of year	-	3,580,874	21,246,320	3,059,665	1,972,378	74,055	32,373,434	9,272,652	-	71,579,378
Amortization	-	172,713	1,646,217	547,070	526,237	20,879	1,719,169	542,767	-	5,175,052
Disposals	-	(100)	(160,728)	(251,548)	(453,552)	(18,362)	(932,038)	(60,691)	-	(1,877,019)
Other adjustment	-	-	4,457	-	-	-	-	-	-	4,457
Accumulated amortization, end of year	-	3,753,487	22,736,266	3,355,187	2,045,063	76,572	33,160,565	9,754,728	-	74,881,868
	\$ 7,129,366	\$ 3,096,520	\$ 42,735,634	\$ 3,925,883	\$ 3,279,665	\$ 79,448	\$ 27,938,764	\$ 30,774,312	\$ 4,923,035	\$ 123,882,627

**Corporation of the Town of Parry Sound
Notes to Consolidated Financial Statements**

December 31, 2017

14. Tangible Capital Assets (continued)

	Land	Land Improvements	Building and Facilities	Machinery and Equipment	Fleet	Library Books	Transportation Infrastructure (Restated)	Environmental Infrastructure (Restated)	Assets Under Construction	Total 2016 (Restated)
Cost, beginning of year	\$ 5,813,563	\$ 6,428,528	\$ 64,695,596	\$ 6,055,790	\$ 5,073,313	\$ 151,515	\$ 58,759,133	\$ 36,871,642	\$ 4,357,947	\$ 188,207,027
Additions	204,955	423,365	565,714	1,200,405	818,379	24,717	235,417	475,280	3,997,107	7,945,339
Disposals	-	(174,436)	(137,423)	(535,777)	(553,699)	(21,587)	(1,274,011)	(168,467)	-	(2,865,400)
Transfer	-	19,670	39,983	150,463	74,667	-	1,779,574	2,081,508	(4,145,865)	-
Cost, end of year	6,018,518	6,697,127	65,163,870	6,870,881	5,412,660	154,645	59,500,113	39,259,963	4,209,189	193,286,966
Accumulated amortization, beginning of year	-	3,547,587	19,747,519	3,028,984	1,916,620	75,315	31,495,285	8,848,841	-	68,660,151
Amortization	-	159,833	1,617,692	493,096	502,504	20,327	1,676,571	517,799	-	4,987,822
Disposals	-	(126,546)	(118,891)	(462,415)	(446,746)	(21,587)	(798,422)	(93,988)	-	(2,068,595)
Accumulated amortization, end of year	-	3,580,874	21,246,320	3,059,665	1,972,378	74,055	32,373,434	9,272,652	-	71,579,378
\$	6,018,518	\$ 3,116,253	\$ 43,917,550	\$ 3,811,216	\$ 3,440,282	\$ 80,590	\$ 27,126,679	\$ 29,987,311	\$ 4,209,189	\$ 121,707,588

**Corporation of the Town of Parry Sound
Notes to Consolidated Financial Statements**

December 31, 2017

15. Accumulated Surplus

The Town segregates its accumulated surplus in the following categories:

	2017	2016 Restated (Note 2)
Surplus		
Investment in tangible capital assets	\$ 109,857,436	\$ 107,299,320
Library and Downtown Improvement Area	14,579	4,661
Unfunded capital expenditures	(4,284,783)	(1,821,711)
Investment in Lakeland Holdings Ltd.	5,855,104	5,855,104
General funds	2,044,358	1,376,902
	<u>113,486,694</u>	<u>112,714,276</u>
Reserves set aside by Council		
Working capital	1,437,741	1,437,741
Tax rate stabilization	796,986	934,728
Transportation	342,900	427,183
Wastewater systems	2,631,109	2,190,578
Waterworks systems	4,470,524	3,865,035
Parks and recreation	216,368	173,868
Capital asset purposes	1,846,034	1,381,228
Other purposes	925,363	1,112,975
Library	2,000	2,000
Business Improvement Area	23,000	23,000
	<u>12,692,025</u>	<u>11,548,336</u>
Reserve Funds set aside for a specific purpose by Council		
Municipal Parking	137,144	149,352
Wastewater and waterworks system	215,579	187,435
Land Ambulance services	1,778,992	2,009,019
Parks and recreation	54,251	47,312
Stockey Centre - Bobby Orr Hall of Fame	408,653	143,420
Capital asset purposes	1,504,927	2,531,198
Other purposes	376,694	330,904
Library bequest fund	245,096	245,096
	<u>4,721,336</u>	<u>5,643,736</u>
Total Accumulated Surplus	\$ 130,900,055	\$ 129,906,348

**Corporation of the Town of Parry Sound
Notes to Consolidated Financial Statements**

December 31, 2017

16. Comparative Information

The comparative amounts presented in the financial statements have been reclassified to conform to the current year's presentation.

17. Taxation

	Budget 2017 (Note 21)	2017	2016
Property taxes	\$ 12,346,904	\$ 12,465,801	\$ 12,337,558
Payments to school boards	(2,190,662)	(2,269,681)	(2,384,564)
Available for general municipal purposes	<u>\$ 10,156,242</u>	<u>\$ 10,196,120</u>	<u>\$ 9,952,994</u>

18. Contributions to Unconsolidated Joint Boards

The following contributions were made to these joint boards:

	2017	2016
Emergency 911	\$ 3,428	\$ 3,223
Parry Sound Area Municipal Airport Commission	10,000	10,000
North Bay Parry Sound Health Unit	183,566	183,566
District of Parry Sound Social Services Administration Board	321,246	335,876
Home for the Aged	136,856	130,326
Parry Sound Area Planning Board	7,000	14,660
Parry Sound Area Industrial Park Board	13,575	13,393
	<u>\$ 675,671</u>	<u>\$ 691,044</u>

The Town is contingently liable for its share of any accumulated deficits as at the end of the year for these boards. As of our reporting date, the 2017 audited financial statements indicate that the boards have a surplus.

19. Provincial Offences Administration (POA)

Effective November 15, 1999, the Town has assumed the administration of the Provincial Offences Office at the Parry Sound Courthouse. The transfer of administration from the Ministry of Attorney

Corporation of the Town of Parry Sound Notes to Consolidated Financial Statements

December 31, 2017

19. Provincial Offences Administration (POA) (continued)

General to the Town was a result of the Provincial Offences Act (POA) 1997, which provides the framework for the transfer of responsibility and administration of POA courts.

The POA is a procedural law for administering and prosecuting provincial offences, including those committed under the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor Licence Act, Municipal By-laws and minor federal offences. The POA governs all aspects of legal process from serving notice to a defendant, to conducting trials, including sentencing and appeals.

Included in the statement of operations related to POA were fines and transcripts in the amount of \$1,214,430 (2016 - \$1,163,292). Expenses of the POA office (before adjustments for amortization and capital asset additions) amounted to \$1,215,678 (2016 - \$1,162,688), which includes distribution to the Municipal partners in the amount of \$410,108 (2016 - \$357,054). The total fines revenue of \$1,295,961 (2016 - \$1,237,556) on the statement of operations includes the Town's share of POA fines plus By-law fines and library fines.

20. Land Ambulance Administration

Effective January 1, 2001, the Town has assumed the administration of the Land Ambulance Services for the Parry Sound district. The contracted provider is the West Parry Sound Health Centre.

Included in the statement of operations related to the Land Ambulance Services are grants from the Ministry of Health and Long-term Care in the amount of \$4,629,024 (2016 - \$4,406,654), municipal contributions in the amount of \$3,584,861 (2016 - \$3,472,266). The Town's share of municipal contributions in the amount of \$237,539 (2016 - \$238,825) has been eliminated for purposes of consolidation. The actual expenses for 2017 were \$8,488,167 (2016 - \$8,191,148).

Corporation of the Town of Parry Sound
Notes to Consolidated Financial Statements

December 31, 2017

21. Budget

The Financial Plan (Budget) By-Law adopted by Council on February 8, 2017 was not prepared on a basis consistent with that used to report actual results (Canadian public sector accounting standards). The budget was prepared on a modified accrual basis while figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$423. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the Financial Plan adopted by Council on February 8, 2017 with adjustments as follows:

	<u>2017</u>
Financial Plan (Budget) Bylaw surplus for the year	\$ 423
Add:	
Capital expenditures	21,101,514
Principal repayments on long-term debt	1,266,116
Less:	
Amortization	(4,637,348)
Capital Grants	(7,358,706)
Budget transfers from reserves	(1,399,671)
Proceeds from external debt	(8,586,704)
	<u>\$ 385,624</u>

Corporation of the Town of Parry Sound Notes to Consolidated Financial Statements

December 31, 2017

22. Subsequent Events

Subsequent to year end the Town:

Agreed to the 2019 purchase of a new fire truck in the amount of \$522,880.00 plus HST inclusive of the trade in value of \$27,000.00 for two current aging trucks. In addition, discretionary funding of \$30,000.00 was approved for the possible additions to the vehicle;

Entered into a Memorandum of Understanding (MOU) in regards to the installation of water, sewer and storm sewer services to the benefit of specific properties. The Town will recover the servicing costs from the property owners after the project is completed. The estimated cost of the project is \$803,332;

Committed to the purchase of two vacant properties at a cost of \$210,000 each. The first property is part of a joint effort with other municipalities in the area to create a pool and wellness centre complex that would serve the Parry Sound area. The second property is industrially zoned and the Town plans for the ultimate re-sale and development to and by the private sector.

23. Segmented Information

The Town is a diversified municipal government institution that provides a wide range of services to its citizens such as transit, police, fire and water, roads and community services. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government

General government are revenues and expenses that relate to the operations of the Town itself and cannot be directly attributed to a specific segment.

Protection Services

Protection is comprised of police services, fire protection, protective inspection and control, emergency measures, and Provincial Offences Administration (see Note 19). The police services work to ensure the safety and protection of the citizens and their property. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education. The members of the fire department consist of volunteers. Inspection and control includes building inspections, by-law enforcement and animal control services.

Transportation Services

Transportation is responsible for the seasonal maintenance of roads, bridges, winter control, transit, parking and streetlight.

Corporation of the Town of Parry Sound Notes to Consolidated Financial Statements

December 31, 2017

23. Segmented Information (continued)

Environmental Services

Environmental includes the operation of the waste water infrastructure, storm sewer maintenance, the provision of water to its citizens and the collection, disposal and diversion of solid waste.

Health Services

Health services oversees the care and maintenance of the Town controlled cemeteries and the Land Ambulance Administration (see Note 20).

Social and Family Services

This service includes transfers to joint boards that provide general assistance, assistance to aged persons, child care and social housing.

Recreation and Culture Services

This area operates recreational and cultural facilities and programs including parks, beaches, a transient marina, the Bobby Orr Community Centre and the Charles W. Stockey Centre for the Performing Arts / Bobby Orr Hall of Fame. Also, the Town provides library services to assist with its citizens' informational needs.

Planning and Development

This department provides general planning and zoning services and review of all property development plans through its application process. It also facilitates commercial and economic development in a variety of ways along with the operation of the Business Improvement Area.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers are measured on the basis of cost. Amounts that are directly attributable to a number of segments have been allocated on a reasonable basis as follows:

Taxation, fees and use charges: Allocated to those segments that are funded by these amounts based on the net surplus (deficit) for the year

Grants: Based on nature of grant

Corporation of the Town of Parry Sound
Notes to Consolidated Financial Statements

December 31, 2017

23. Segmented Information (continued)

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Culture Services	Planning and Development	2017 Total
Revenue									
Property taxation	\$ 2,023,602	\$ 1,183,837	\$ 2,636,555	\$ 621,529	\$ 554,367	\$ 461,602	\$ 2,065,877	\$ 648,751	\$ 10,196,120
Taxation from other governments	376,848	-	-	-	-	-	-	-	376,848
Revenue from other municipalities	-	59,548	-	13,345	3,584,861	-	128,471	-	3,786,225
User charges	134,923	107,708	12,698	5,521,645	45,105	-	1,238,636	32,941	7,093,656
Government grants - Federal	14,573	-	1,055,217	-	-	-	33,249	-	1,103,039
Government grants - Provincial	189,891	1,779,965	853,986	67,127	4,683,197	-	79,447	-	7,653,613
Investment income	176,754	133	2,392	2,138	29,879	-	5,078	200	216,574
Penalties and interest on taxes/utilities	128,816	-	-	6,293	-	-	-	-	135,109
Donations	-	-	-	-	4,813	-	159,846	26,038	190,697
Fines	-	1,279,847	12,510	-	-	-	3,604	-	1,295,961
Other	186	-	-	-	-	-	9,376	-	9,562
Dividend income - Lakeland Holding	236,292	-	-	-	-	-	-	-	236,292
	3,281,885	4,411,038	4,573,358	6,232,077	8,902,222	461,602	3,723,584	707,930	32,293,696
Expenses									
Salaries, wages & benefits	1,107,699	1,075,334	1,045,503	1,532,762	335,685	-	1,561,450	339,025	6,997,458
Materials	234,922	170,253	744,144	958,749	151,233	-	808,375	134,953	3,202,629
Contracted services	321,210	2,272,264	658,102	1,356,728	7,735,998	-	643,071	165,308	13,152,681
Rents & financial expenses	341,333	67,570	160,079	193,302	92,371	-	(124,289)	2,468	732,834
Interest on long-term debt	134,937	-	30,389	393,045	-	-	63,312	12,760	634,443
External transfers to others	1,211	664,633	10,000	-	183,566	461,602	48,822	35,058	1,404,892
Amortization of tangible assets	146,595	149,575	1,968,209	1,775,591	399,288	-	717,605	18,189	5,175,052
Inter-segment transfers	271	11,409	(43,068)	21,900	4,081	-	5,238	169	-
	2,288,178	4,411,038	4,573,358	6,232,077	8,902,222	461,602	3,723,584	707,930	31,299,989
Net Surplus	\$ 993,707	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 993,707

**Corporation of the Town of Parry Sound
Notes to Consolidated Financial Statements**

December 31, 2017

23. Segmented Information (continued)

	General Government	Protection to Persons and Property	Transportation Services (Restated)	Environmental Services (Restated)	Health Services	Social and Family Services	Recreation and Culture Services	Planning and Development	2016 Total (Restated)
Revenue									
Property taxation	\$ 3,231,905	\$ 1,215,560	\$ 2,126,923	\$ 376,323	\$ 443,893	\$ 469,702	\$ 1,513,011	\$ 575,677	\$ 9,952,994
Taxation from other governments	345,368	-	-	-	-	-	-	-	345,368
Revenue from other municipalities	-	72,286	-	14,035	3,472,266	-	116,546	-	3,675,133
User charges	77,241	186,011	12,996	5,400,919	64,012	-	1,133,516	40,604	6,915,299
Government grants - Federal	-	-	789,869	-	-	-	158,477	8,152	956,498
Government grants - Provincial	190,348	1,720,700	1,591,018	52,639	4,604,348	-	221,007	-	8,380,060
Investment income	173,841	78	3,636	1,942	28,334	-	5,546	-	213,377
Penalties and interest on taxes/utilities	129,144	-	-	8,895	-	-	-	-	138,039
Donations	-	-	-	-	2,286	-	369,830	-	372,116
Fines	-	1,222,912	11,033	-	-	-	3,611	-	1,237,556
Other	-	-	-	-	-	-	8,656	-	8,656
Dividend income - Lakeland Holding	219,414	-	-	-	-	-	-	-	219,414
	<u>4,367,261</u>	<u>4,417,547</u>	<u>4,535,475</u>	<u>5,854,753</u>	<u>8,615,139</u>	<u>469,702</u>	<u>3,530,200</u>	<u>624,433</u>	<u>32,414,510</u>
Expenses									
Salaries, wages & benefits	1,071,797	1,249,393	1,057,981	1,506,944	291,839	-	1,405,601	344,762	6,928,317
Materials	238,159	188,826	714,523	863,378	151,230	-	721,209	113,161	2,990,486
Contracted services	347,721	2,125,202	388,646	1,216,959	7,463,055	-	556,127	84,993	12,182,703
Rents & financial expenses	667,412	73,466	456,524	105,596	128,807	-	82,602	2,851	1,517,258
Interest on long-term debt	139,358	-	49,685	398,881	-	-	67,665	18,807	674,396
External transfers to others	8,103	625,064	10,000	-	183,566	469,702	47,801	41,601	1,385,837
Amortization of tangible assets	146,795	150,252	1,907,502	1,706,501	394,405	-	664,178	18,189	4,987,822
Inter-segment transfers	225	5,344	(49,386)	56,494	2,237	-	(14,983)	69	-
	<u>2,619,570</u>	<u>4,417,547</u>	<u>4,535,475</u>	<u>5,854,753</u>	<u>8,615,139</u>	<u>469,702</u>	<u>3,530,200</u>	<u>624,433</u>	<u>30,666,819</u>
Net Surplus	\$ 1,747,691	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,747,691