

The Corporation of the Town of Parry Sound
Consolidated Financial Statements
Year ended December 31, 2016

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Tel: 705 726 6331
Fax: 705 722 6588
www.bdo.ca

BDO Canada LLP
300 Lakeshore Drive, Suite 300
Barrie ON L4N 0B4 Canada

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, 2016, 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, 2016 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.

Other Matters

The consolidated financial statements of The Corporation of the Town of Parry Sound for the year end December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on June 27, 2016.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

September 5, 2017
Barrie, Ontario

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

December 31	2016	2015
Financial assets		
Cash and cash equivalents (Note 2)	\$ 15,411,854	\$ 18,420,286
Short term investments (Note 3)	2,733,768	240,403
Taxes receivable	570,012	762,733
Accounts receivable	2,448,562	2,098,453
Inventories held for resale	61,930	61,930
Long-term receivables	77,627	77,427
Investment in Lakeland Holding (Note 4)	5,855,104	5,855,104
	<u>27,158,857</u>	<u>27,516,336</u>
Liabilities		
Temporary loans (Note 6)	-	1,600,000
Accounts payable and accrued liabilities	3,727,117	2,422,000
Accrued interest on debt	199,062	194,997
Workplace safety insurance future benefits liability (Note 7)	266,000	-
Deferred revenue - general	425,420	1,163,128
Deferred revenue - obligatory reserve funds (Note 9)	262,441	130,026
Long-term debt (Note 10)	14,408,268	13,718,392
	<u>19,288,308</u>	<u>19,228,543</u>
Net financial assets	<u>7,870,549</u>	<u>8,287,793</u>
Non-financial assets		
Tangible capital assets (Note 14)	120,812,400	118,638,360
Prepaid expenses	328,211	323,988
	<u>121,140,611</u>	<u>118,962,348</u>
Accumulated surplus	<u>\$ 129,011,160</u>	<u>\$ 127,250,141</u>
Contingent liabilities (Note 12)		

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

Year ended December 31	Budget 2016	2016	2015
	(Note 21)		
Revenue			
Property Taxation (Note 17)	\$ 9,768,024	\$ 9,952,994	\$ 9,201,334
Taxation from other governments	313,500	345,368	388,900
Revenue from other municipalities (Note 20)	3,798,491	3,675,133	3,565,420
User charges	6,635,665	6,915,299	6,662,352
Government grants - Federal	2,357,950	956,498	422,491
Government grants - Provincial (Note 20)	8,240,994	8,380,060	7,997,345
Investment income	144,475	213,377	240,540
Penalties and interest on taxes/utilities	120,000	138,039	135,053
Donations	62,200	372,116	195,711
Fines (Note 19)	1,460,300	1,237,556	1,451,554
Other	7,000	8,656	5,426
Dividend income - Lakeland Holding (Note 4)	160,000	219,414	179,318
	33,068,599	32,414,510	30,445,444
Expenses			
General government	2,010,281	2,619,570	1,861,606
Protection services (Note 19)	4,386,541	4,417,547	4,533,340
Transportation services	4,092,747	4,532,665	4,449,730
Environmental services	5,897,553	5,844,235	5,792,563
Health services (Note 20)	8,918,034	8,615,139	8,497,473
Social and family services	469,750	469,702	459,382
Recreation and cultural services	3,394,568	3,530,200	3,502,746
Planning and development	617,661	624,433	605,356
	29,787,135	30,653,491	29,702,196
Annual surplus	3,281,464	1,761,019	743,248
Accumulated surplus, beginning of the year	127,250,141	127,250,141	126,506,893
Accumulated surplus, end of the year	\$ 130,531,605	\$ 129,011,160	\$ 127,250,141

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

Year ended December 31	Budget 2016	2016	2015
	(Note 21)		
Annual surplus	\$ 3,281,464	\$ 1,761,019	\$ 743,248
Acquisition of tangible capital assets	(7,784,438)	(7,945,339)	(6,579,475)
Amortization of tangible capital assets	4,611,421	4,974,494	4,749,777
Loss on disposal of tangible capital assets	-	683,618	450,335
Proceeds on sale of tangible capital assets	-	113,187	56,455
	108,447	(413,021)	(579,660)
Use (Acquisition) of prepaid expenses	-	(4,223)	55,727
Net change in net financial assets	108,447	(417,244)	(523,933)
Net financial assets, beginning of the year	8,287,793	8,287,793	8,811,726
Net financial assets, end of the year	\$ 8,396,240	\$ 7,870,549	\$ 8,287,793

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

Year ended December 31	2016	2015
Operating transactions		
Annual surplus	\$ 1,761,019	\$ 743,248
Items not involving cash		
Amortization	4,974,494	4,749,777
Loss on disposal of tangible capital assets	683,618	450,335
Changes in non-cash operating balances		
Taxes receivable	192,721	(21,709)
Accounts receivable	(350,109)	(454,078)
Inventories	-	13,001
Prepaid expenses	(4,223)	55,727
Long-term receivables	(200)	44,614
Accounts payable and accrued liabilities	1,309,182	416,465
Workplace safety insurance future benefits liability	266,000	-
Deferred revenue	(737,708)	473,253
Deferred revenue - obligatory reserve funds	132,415	1,396
	<u>8,227,209</u>	<u>6,472,029</u>
Capital transactions		
Acquisition of tangible capital assets	(7,945,339)	(6,579,475)
Proceeds on sale of tangible capital assets	113,187	56,455
	<u>(7,832,152)</u>	<u>(6,523,020)</u>
Investing transactions		
Increase in short term investments	(2,493,365)	(196)
Financing transactions		
Proceeds from issuance of long-term debt	1,600,000	22,714
Repayment of long-term debt	(910,124)	(845,371)
Temporary loans	(1,600,000)	1,600,000
	<u>(910,124)</u>	<u>777,343</u>
Net change in cash and cash equivalents	(3,008,432)	726,156
Cash and cash equivalents, beginning of the year	18,420,286	17,694,130
Cash and cash equivalents, end of the year	\$ 15,411,854	\$ 18,420,286

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

December 31, 2016

1. Summary of Accounting Policies

**Management's
Responsibility for the
Financial Statements**

The consolidated financial statements of the 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 statues 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 include 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.

Investments

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.

**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.

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

December 31, 2016

1. Summary of Accounting Policies (continued)

**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. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. 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 infrastructure	30 to 80 years

**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 of receipt and also 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.

**Collections 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.

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

December 31, 2016

1. Summary of Accounting Policies (continued)

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.
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	<p>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.</p> <p>Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.</p> <p>Sales of service and other revenue is recognized on an accrual basis, when services have been rendered.</p> <p>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.</p> <p>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.</p> <p>Grants are recognized as revenue when approved, to the extent the related expenses have been incurred and collection can be reasonably assured.</p>

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

December 31, 2016

1. Summary of 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 Municipality 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 significant accruals. 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.

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.

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

December 31, 2016

2. Cash and Cash Equivalents

	<u>2016</u>	<u>2015</u>
General accounts	\$ 9,228,570	\$ 12,143,637
Reserve funds	5,931,257	6,143,683
Obligatory reserve funds	252,027	132,966
	<u>\$ 15,411,854</u>	<u>\$ 18,420,286</u>

3. Short Term Investments

Short term investments comprise the following:

	<u>2016</u>	<u>2015</u>
Guaranteed Investment Certificates, interest rates ranging from 1.3% to 1.95%, maturing from July 2017 to October 2021	\$ 2,624,782	\$ 240,403
Marketable securities (quoted market value (\$112,279))	108,986	-
	<u>\$ 2,733,768</u>	<u>\$ 240,403</u>

4. 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 (with a commitment to increase to 15.5% after rebuilding of the generation plant). As a result of this transaction an investment in Lakeland is now recorded as a portfolio investment at cost of \$5,855,104. The cost of the shares is equal to the fair market value its shares in Hydro on July 1, 2014 as determined by Lakeland and reported in their audited financial statements.

5. 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, 2016 there was \$NIL (2015 - \$NIL) drawn on the operating credit facility.

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

December 31, 2016

6. Temporary Loans

The Town issued a promissory note on December 15, 2015 to the Ontario Infrastructure Projects Corporation (OIPC) in the amount of \$1,600,000. The advances received are interest bearing and were used for projects on College Drive, Forest Street and Hillcrest Avenue. In 2016 the advances were repaid with the proceeds from long-term debentures.

7. Workplace Safety Insurance Future Benefits Liability

	2016	2015
WSIB accrued benefit obligation and liability beginning of year	\$ 257,500	\$ -
WSIB expenses for the year	22,500	-
WSIB benefits paid	(14,000)	-
WSIB accrued benefit obligation and liability end of year	\$ 266,000	\$ -

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

	2016	2015
Current year WSIB benefit cost	\$ 14,500	\$ -
Interest on accrued WSIB benefit obligation	8,000	-
Total WSIB expenses	\$ 22,500	\$ -

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%

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

December 31, 2016

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 470,000 active and retired members and approximately 1,000 employers.

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, 2016. The results of this valuation disclosed total actuarial liabilities of \$87,554 million in respect of benefits accrued for service with actuarial assets at that date of \$81,834 million indicating an actuarial deficit of \$5,720 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 2016 were \$403,921 (2015 - \$410,247) 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	\$ -	\$ 36,287	\$ 568	\$ -	\$ 36,855
Development charges	\$ 17,529	\$ 85,430	\$ 1,087	\$ -	\$ 104,046
Recreational land	112,497	7,814	1,229	-	121,540
	<u>\$ 130,026</u>	<u>\$ 129,531</u>	<u>\$ 2,884</u>	<u>\$ -</u>	<u>\$ 262,441</u>

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.

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.

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.

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

December 31, 2016

10. Long-term Debt

Net long-term debt reported on the statement of financial position is comprised of the following:

	2016	2015
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.	\$ 1,215,000	\$ 1,493,000
Debenture for McDougall Water Works Project; semi-annual principal payments of \$50,000 plus interest at 4.61% per annum; matures December 2026.	1,000,000	1,100,000
Debenture for Waste Water Treatment Plant; semi-annual principal payments of \$62,500 plus interest at 5.19% per annum; matures February 2050.	4,187,500	4,312,500
Debenture for Gibson St.; semi-annual principal payments of \$28,750 plus interest at 4.61% per annum; matures October 2027.	632,504	690,005
Bank Loan; interest at 5.3%, blended monthly payments of \$3,063, matures May 2017. Subsequent to year end loan was renewed for interest at 2.67%, blended monthly payments of \$3,293, maturing June 2022.	346,450	370,823
Debenture for Riverdale Rd.; semi-annual principal payments of \$17,500 plus interest of 5.54% per annum; matures December 2028.	420,000	455,000
Debenture for Municipal offices; semi-annual principal payments of \$50,000 plus interest at 4.61% per annum; matures September 2050.	3,400,000	3,500,000
Debenture for Bobby Orr Community Centre; semi-annual principal payments of \$58,750 plus interest at 4.15% per annum; matures September 2030.	1,645,000	1,762,500
West Parry Sound Health Centre - refundable building permit; interest free; repayable over 10 years maturing in 2016.	-	15,045
Obligation under capital lease - Honda Canada; interest at 2.99%; blended monthly payments of \$408; matures March 2020.	15,147	19,519
Debenture for Forest St. reconstruction; semi-annual principal payments of \$53,333 plus interest at 2.78% per annum; matures March 2031.	1,546,667	-
	\$ 14,408,268	\$ 13,718,392

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

December 31, 2016

10. Long-term Debt (continued)

The gross interest expensed relating to the above long-term debt was \$674,396 (2015 - \$668,690). Interest paid during the year is \$665,496 (2015 - \$676,613).

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

2017	\$ 1,279,622
2018	943,309
2019	955,449
2020	964,885
2021	641,667
Thereafter	<u>9,623,336</u>
	<u>\$ 14,408,268</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 \$2,858,611 by Belvedere Heights Home for the Aged, based on their 1977 equalized assessments. The amount of the Town's guarantee is limited to \$439,969.

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, 2016, 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 \$283,872 (2015 - \$276,574) in trust. These funds are not included in the consolidated statement of financial position and statement of operations.

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

December 31, 2016

14. Tangible Capital Assets

	2016									
	Land	Land Improvements	Building and Facilities	Machinery and Equipment	Fleet	Library Books	Transportation Infrastructure	Environmental Infrastructure	Assets Under Construction	Total
Cost, beginning of year	\$ 5,813,563	\$ 6,428,528	\$ 64,695,596	\$ 6,055,790	\$ 5,073,313	\$ 151,515	\$ 58,860,891	\$ 36,118,373	\$ 4,357,947	\$ 187,555,516
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	\$ 59,601,871	\$ 38,506,694	\$ 4,209,189	\$ 192,635,455
Accumulated amortization, beginning of year	\$ -	\$ 3,547,587	\$ 19,747,519	\$ 3,028,984	\$ 1,916,620	\$ 75,315	\$ 31,709,603	\$ 8,891,528	\$ -	\$ 68,917,156
Amortization	-	159,833	1,617,692	493,096	502,504	20,327	1,673,761	507,281	-	4,974,494
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	\$ 32,584,942	\$ 9,304,821	\$ -	\$ 71,823,055
Net carrying amount, end of year	\$ 6,018,518	\$ 3,116,253	\$ 43,917,550	\$ 3,811,216	\$ 3,440,282	\$ 80,590	\$ 27,016,929	\$ 29,201,873	\$ 4,209,189	\$ 120,812,400

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

December 31, 2016

14. Tangible Capital Assets (continued)

										2015
	Land	Land Improvements	Building and Facilities	Machinery and Equipment	Fleet	Library Books	Transportation Infrastructure	Environmental Infrastructure	Assets Under Construction	Total
Cost, beginning of year	\$ 5,813,563	\$ 6,245,662	\$ 64,365,405	\$ 5,899,855	\$ 4,757,727	\$ 147,122	\$ 57,751,426	\$ 35,310,713	\$ 2,238,254	\$ 182,529,727
Additions		194,766	330,191	315,779	740,608	21,584	1,949,309	907,545	2,119,693	6,579,475
Disposals		(11,900)	-	(159,844)	(425,022)	(17,191)	(839,844)	(99,885)	-	(1,553,686)
Cost, end of year	<u>\$ 5,813,563</u>	<u>\$ 6,428,528</u>	<u>\$ 64,695,596</u>	<u>\$ 6,055,790</u>	<u>\$ 5,073,313</u>	<u>\$ 151,515</u>	<u>\$ 58,860,891</u>	<u>\$ 36,118,373</u>	<u>\$ 4,357,947</u>	<u>\$ 187,555,516</u>
Accumulated amortization, beginning of year	\$ -	\$ 3,401,176	\$ 18,125,669	\$ 2,756,730	\$ 1,834,784	\$ 71,175	\$ 30,564,165	\$ 8,460,576	\$ -	\$ 65,214,275
Amortization		158,311	1,621,850	432,098	424,720	21,331	1,615,115	476,352	-	4,749,777
Disposals		(11,900)	-	(159,844)	(342,884)	(17,191)	(469,677)	(45,400)	-	(1,046,896)
Accumulated amortization, end of year	<u>\$ -</u>	<u>\$ 3,547,587</u>	<u>\$ 19,747,519</u>	<u>\$ 3,028,984</u>	<u>\$ 1,916,620</u>	<u>\$ 75,315</u>	<u>\$ 31,709,603</u>	<u>\$ 8,891,528</u>	<u>\$ -</u>	<u>\$ 68,917,156</u>
Net carrying amount, end of year	<u>\$ 5,813,563</u>	<u>\$ 2,880,941</u>	<u>\$ 44,948,077</u>	<u>\$ 3,026,806</u>	<u>\$ 3,156,693</u>	<u>\$ 76,200</u>	<u>\$ 27,151,288</u>	<u>\$ 27,226,845</u>	<u>\$ 4,357,947</u>	<u>\$ 118,638,360</u>

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

December 31, 2016

15. Accumulated Surplus

The Town segregates its accumulated surplus in the following categories:

	<u>2016</u>	<u>2015</u>
Surplus		
Investment in tangible capital assets	\$106,419,278	\$104,935,012
Library and Downtown Improvement Area	4,661	20,538
Unfunded capital expenditures	(1,821,711)	(826,620)
Investment in Lakeland Holding Ltd.	5,855,104	5,855,104
General funds	1,361,756	-
	<u>111,819,088</u>	<u>109,984,034</u>
Reserves set aside by Council		
Working capital	1,437,741	1,437,741
Tax rate stabilization	934,728	905,171
Transportation	427,183	375,612
Wastewater systems	2,190,578	1,788,342
Waterworks systems	3,865,035	3,590,905
Parks and recreation	173,868	392,814
Capital asset purposes	1,381,228	1,511,094
Other purposes	1,112,975	995,354
Library	2,000	2,000
Business Improvement Area	23,000	23,000
	<u>11,548,336</u>	<u>11,022,033</u>
Reserve Funds set aside for a specific purpose by Council		
Municipal parking	149,352	281,995
Wastewater and waterworks systems	187,435	182,151
Land ambulance services	2,009,019	2,439,416
Parks and recreation	47,312	76,072
Stockey Centre - Bobby Orr Hall of Fame	143,420	141,923
Capital asset purposes	2,531,198	2,459,335
Other purposes	330,904	409,842
Library bequest fund	245,096	253,340
	<u>5,643,736</u>	<u>6,244,074</u>
Total Accumulated Surplus	<u>\$129,011,160</u>	<u>\$127,250,141</u>

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

December 31, 2016

16. Comparative Information

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

17. Taxation

	Budget 2016	2016	2015
	(Note 21)		
Property taxes	\$ 12,153,534	\$ 12,337,558	\$ 11,488,954
Payments to school boards	(2,385,510)	(2,384,564)	(2,287,620)
Available for general municipal purposes	\$ 9,768,024	\$ 9,952,994	\$ 9,201,334

18. Contributions to Unconsolidated Joint Boards

The following contributions were made to these joint boards:

	2016	2015
Emergency 911	\$ 3,223	\$ 3,232
Parry Sound Area Municipal Airport Commission	10,000	10,000
North Bay Parry Sound Health Unit	183,566	179,967
District of Parry Sound Social Services Administration Board	335,876	334,881
Home for the Aged	130,326	121,001
Parry Sound Area Planning Board	14,660	7,000
Parry Sound Area Industrial Park Board	13,393	13,260
	\$ 691,044	\$ 669,341

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 2016 audited financial statements indicate that the boards have a surplus.

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

December 31, 2016

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 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 administrating 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 in the amount of \$1,163,292 (2015 - \$1,343,649). Expenses of the POA office (before adjustments for amortization and capital asset additions) amounted to \$1,162,688 (2015 - \$1,352,708). The total fines revenue of \$1,237,556 (2015 - \$1,451,554) 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 \$4,406,654 (2015 - \$4,426,090), municipal contributions in the amount of \$3,472,266 (2015 - \$3,368,256). The Town's share of municipal contributions in the amount of \$238,825 (2015 - \$234,745) has been eliminated for purposes of consolidation. The actual expenses for 2016 were \$8,191,148 (2015 - \$7,894,621).

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

December 31, 2016

21. Budget

The Financial Plan (Budget) By-Law adopted by Council on February 16, 2016 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 Canadian public sector accounting standards now require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$386. 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 16, 2016 with adjustments as follows:

	<u>2016</u>
Financial Plan (Budget) Bylaw surplus for the year	\$ 386
Add:	
Capital expenditures	7,784,438
Principal repayments on long-term debt	1,075,610
Lakeland tax revenue	180,946
Less:	
Amortization	(4,611,421)
Capital Grants	(136,900)
Budgeted transfers from reserves	<u>(1,011,595)</u>
Budget surplus per statement of operations	<u>\$ 3,281,464</u>

22. Subsequent Event

Subsequent to year end the Town purchased three waterfront properties for approximately \$850,000 for the purpose of future development opportunities.

December 31, 2016

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 streetlighting.

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

December 31, 2016

23. Segmented Information (continued)

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 user 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

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

December 31, 2016

23. Segmented Information (continued)

For the year ended December 31	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Culture Services	Planning and Development	2016 Total
Revenue									
Property taxation	\$ 3,245,233	\$ 1,215,560	\$ 2,124,113	\$ 365,805	\$ 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
	4,380,589	4,417,547	4,532,665	5,844,235	8,615,139	469,702	3,530,200	624,433	32,414,510
Expenses									
Salaries, wages & benefits	1,073,579	1,249,393	1,057,981	1,506,944	291,839	-	1,405,601	344,762	6,930,099
Materials	236,377	188,826	714,523	863,242	151,230	-	721,209	113,161	2,988,568
Contracted services	347,721	2,125,202	388,646	1,216,959	7,463,055	-	556,127	84,993	12,182,703
Rent and 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	8,103	625,064	10,000	-	183,566	469,702	47,801	41,601	1,385,837
Amortization	146,795	150,252	1,904,692	1,696,119	394,405	-	664,178	18,189	4,974,630
Inter-segment transfers	225	5,344	(49,386)	56,494	2,237	-	(14,983)	69	-
	2,619,570	4,417,547	4,532,665	5,844,235	8,615,139	469,702	3,530,200	624,433	30,653,491
Net Surplus	\$ 1,761,019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,761,019

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

December 31, 2016

23. Segmented Information (continued)

For the year ended December 31	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Culture Services	Planning and Development	2015 Total
Revenue									
Property taxation	\$ 1,627,960	\$ 1,075,774	\$ 2,666,985	\$ 583,663	\$ 380,774	\$ 459,382	\$ 1,917,110	\$ 489,686	\$ 9,201,334
Taxation from other governments	388,900	-	-	-	-	-	-	-	388,900
Revenue from other municipalities	-	71,215	-	12,506	3,368,256	-	113,443	-	3,565,420
User charges	54,045	123,239	53,649	5,134,670	53,237	-	1,153,994	89,518	6,662,352
Government grants - Federal	-	-	358,526	-	-	-	44,502	19,463	422,491
Government grants - Provincial	2,160	1,813,148	1,370,570	48,198	4,678,772	-	84,497	-	7,997,345
Investment income	228,944	2,564	-	-	3,245	-	5,447	340	240,540
Penalties and interest on taxes/utilities	121,527	-	-	13,526	-	-	-	-	135,053
Donations	-	-	-	-	13,189	-	176,173	6,349	195,711
Fines	-	1,447,400	-	-	-	-	4,154	-	1,451,554
Other	2,000	-	-	-	-	-	3,426	-	5,426
Dividend income - Lakeland Holding	179,318	-	-	-	-	-	-	-	179,318
	2,604,854	4,533,340	4,449,730	5,792,563	8,497,473	459,382	3,502,746	605,356	30,445,444
Expenses									
Salaries, wages & benefits	933,382	939,621	1,055,707	1,342,891	302,703	-	1,343,025	322,698	6,240,027
Materials	198,185	192,862	735,105	817,435	129,543	-	717,408	101,552	2,892,090
Contracted services	331,522	2,336,590	519,772	1,499,503	7,432,538	-	627,877	117,461	12,865,263
Rent and financial expenses	87,728	76,137	357,383	77,704	71,761	-	32,410	3,396	706,519
Interest on long-term debt	143,005	-	30,253	403,238	-	-	72,142	20,052	668,690
External transfers	36,904	826,138	10,000	-	179,967	459,382	47,179	20,260	1,579,830
Amortization	130,256	153,159	1,788,582	1,623,069	374,759	-	661,763	18,189	4,749,777
Inter-segment transfers	624	8,833	(47,072)	28,723	6,202	-	942	1,748	-
	1,861,606	4,533,340	4,449,730	5,792,563	8,497,473	459,382	3,502,746	605,356	29,702,196
Net Surplus	\$ 743,248	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 743,248